PREM 19/853

SECRET

MT

PART 5

confidential filing.

Financial Position of the Coal Industry.

Mineworkers Pay.

NATIONALISED INDUSTRIES

Part 1: June 1979

Part 5: Dec 1981.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~7-12-81.~~							
~~16.12.81~~							
~~21.12.81.~~							
~~15-1-82~~							
~~18.1.82.~~							
~~19.1.82~~							
~~5-2-82~~							
~~[illegible]~~							
10.2.82							
— ends —							

PREM 19/853

PART 5 ends:-

RTA to PM A07404 10.2.82 (42)

PART 6 begins:-

Mcs to Transport Mg Record (1.)

Top papers with the
Prime Minister

Date 27/10/82.

Home Sec to PM + att

6/12/82

Coal

Copy on Transport BR: Pt 3

42

Ref. A07404

PRIME MINISTER

Nat (ind

Coal and the Railway

BACKGROUND

At your meeting on Monday the Secretary of State for Energy was asked to report quickly on the endurance that power station coal stocks might offer in the event of an all-out rail strike, with:-

(i) NUR drivers moving the maximum coal to the power stations by rail;

(ii) no co-operation from the NUR but maximum deliveries of coal by road by civilian drivers; and

(iii) Servicemen moving coal by road.

He was also asked to consider to what extent the NUM might continue to co-operate under each of the above scenarios.

2. The following other work was also commissioned at Monday's meeting:-

(i) the Secretary of State for Energy to investigate what is the maximum level of coal that can be delivered to the power stations by road and water-borne transport;

(ii) the CPRS to consider, in consultation with the No 10 Policy Unit and the Departments of Transport and Employment how a wedge might be driven between ASLEF and its membership and between ASLEF and other key trades unions;

(iii) the Secretary of State for Transport to consider the options open to the Government in respect of the limit on BR's temporary borrowing; and

(iv) the Secretary of State for Industry to consider with the Chairmen of British Steel and British Leyland whether the trades unions in these industries could be persuaded that the long-term implications of a continued or escalated ASLEF dispute were sufficiently serious to pressure ASLEF to compromise.

Power Station Coal Stocks

3. The level of power station endurance is critical to judgements on the tactical handling of the ASLEF dispute. At Monday's meeting the Secretary of State for Energy said that power station endurance could be stabilised at about 4½ weeks with immediate maximum power station oilburn (which Ministers authorised) provided that the ASLEF strikes continued on the same pattern; but that if the railway were to close completely immediate cuts in electricity supplies equivalent to about a 3-day week would be required.

4. Power station coal stocks currently stand at 13½ million tonnes - equivalent to at least 5 weeks endurance at normal levels of electricity supply. Power station coal consumption is currently about 2.0 million tonnes/week, but it should begin to decline quite rapidly from early March; by early April it is likely to be about 1.6 million tonnes/week.

5. Maximum oilburn (equivalent to 800 000 tonnes of coal per week) and the present levels of coal delivery by road (250 000 tonnes per week) together provide about half of the weekly power station coal requirement. Thus even if there were an immediate shutdown of the railway power station coal stocks should last for about 10 weeks (ie. to at least mid-April); and it should be possible to endure almost indefinitely the present pattern of ASLEF strikes, albeit at a weekly net cost of £40 million for the necessary power station oilburn.

6. Power station endurance would be increased in the event of a complete rail shutdown if more coal than at present could be moved by road, which ought to be possible in a crisis. Previous work by MISC 57 suggested that the Services had a theoretical capacity to move 750 000 tonnes of coal per week by road. If anything near this could be achieved by Service or civilian drivers endurance might be as much as 15-20 weeks.

7. Even if the NUM did not co-operate in the movement of coal by road and none moved in this way leaving power stations only maximum oilburn and their own coal stocks, endurance ought to be about 8 weeks.

8. Once power station coal stocks are exhausted drastic electricity supply reductions seem inevitable in the event of a complete rail shutdown if fresh coal deliveries from the pits are successfully prevented. But on any reasonable assumption about power station coal stocks and deliveries this is some way off.

ASLEF

9. I understand that the CPRS is likely to conclude that the only realistic options are:-

(i) let the dispute continue as at present; or

(ii) escalate it quickly to the point of closing the railway down completely.

They and the other Departments involved judge other possibilities, e.g. generous redundancy terms, to be unrealistic or in some cases counter-productive.

10. There seems little doubt that ASLEF could continue the present pattern of strikes for a long period. The men appear to be solidly behind the Executive; and their financial losses, although not insignificant, are probably sustainable for some time yet. It is therefore possible that commuter morale could start to crumble first.

11. But a decision whether to escalate would depend on the one hand on likely power station endurance and on the other hand on how long ASLEF might hold out in the face of the complete shutdown of the railway, which had no apparent impact on power station endurance. An early shutdown of the railway followed after a short period by a carefully-planned management ballot might prove effective. But it is a high-risk strategy.

HANDLING

12. Ministers are to table papers at the meeting tomorrow. Once colleagues have had an opportunity to study them you will want the Secretary of State for Transport to report on the latest position on the railway dispute, and the Secretary of State for Energy to report on power station coal stocks.

13. I suggest that you consider power station coal stocks first. The main questions seem to be

(i) What is current endurance?
(ii) What is endurance likely to be in the event of a complete rail shutdown but with maximum road deliveries and maximum oilburn?
(iii) Would the NUM co-operate in road deliveries by civilians? or by Servicemen?
(iv) If not, what would maximum endurance then be in a complete rail shutdown?
(v) How low can power station coal stocks be allowed to drop before supply cuts become inevitable?

If there is any doubt about the present and likely future position MISC 57 might be instructed to report quickly.

14. You might then turn to the options in respect of the ASLEF dispute. You will want Mr Ibbs to report on the CPRS' work. The Secretary of State for Transport and the Secretary of State for Employment will wish to comment. The main questions seem to be

(i) Are the only realistic options escalation or continuing with the present dispute?
(ii) How long might ASLEF maintain the dispute at its present level? What would the impact be on commuter morale? What further public pressure acn be brought to bear on ASLEF (about eg the future of the rail network) without antagonising the NUR?
(iii) Is escalation an option given likely power station endurance? If so, what is the best timing and approach? How long might a complete stoppage last?

You will want to invite the Secretary of State for Industry to report on the scope for the trades unions in the steel and car industries to pressure ASLEF to settle and on the implications for indsutry of a complete rail shutdown. If a complete shutdown seems desirable or unavoidable you will want the Home Secretary to arrange for the CCU to consider the implications quickly.

15. Finally, you will want to consider the options once BR's temporary borrowing limit is exhausted, although an immediate decision is not required on this. Ministers were concerned at Monday's meeting to find ways in which BR might borrow against its assets without Government guarantee or otherwise linking increased borrowing with faster asset sales. You will want the Secretary of State for Transport to report on the options.

CONCLUSIONS

16. You will want to record conclusions about

(i) power station endurance, or about the need for further work by MISC 57 to clarify this;

(ii) about whether attrition or escalation is the best strategy for the rail dispute;

(iii) if escalation about the need for a quick review by CCU of the implications and for urgent discussions about tactics between the Secretary of State for Transport and Sir Peter Parker; and possibly

(iv) the options for increasing the limit on temporary borrowing by BR.

17. You will also want to agree with the Secretaries of State for Energy and Transport what is to be said to the full Cabinet.

RCA

ROBERT ARMSTRONG

Cabinet Office
10 February 1982

Coal

Cc Transport
BR Pt 3

COPY NO 1 OF 30

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SECRET

ASLEF ACTION - COAL DELIVERIES TO POWER STATIONS

(Note by the Secretary of State for Energy)

ASLEF mid-week stoppages have curtailed coal delivery by rail from the NCB to power stations in England, Wales and Scotland by some $\frac{3}{4}$ mt a week. If ASLEF continued their present action and no steps were to be taken to offset the decline in power station coal stocks, the endurance of the electricity supply system would be reduced from over 5 weeks at present to about 3 weeks by the end of March.

2. Before that point is reached we would need to make arrangements to restrict electricity demand, introducing a lower level of restriction initially as a necessary preliminary to moving to more stringent control. Effectively we would then be relying on nuclear and oil fired electricity and the limited coal we could move by road.

3. However, we agreed earlier this week to introduce measures to offset the erosion of coal stocks, notably greatly increased oil burn. Already, deliveries by road are building up from the normal level of 100,000 tonnes to 250,000 tonnes a week.

4. I have instructed the CEGB to increase their road and water borne supplies of coal to the maximum extent and will purchase additional electricity from Scotland where stocks and endurance are more favourable. As set out in the Annex, these measures should enable us to hold endurance at five weeks from now on or even improve on that if the weather remains mild and there is no hindrance to the arrangements, for example by the NUM.

5. I have been advised by the NCB that, in spite of isolated instances of NUM members refusing to load additional coal and the ASLEF appeal for support, it should be possible to continue road deliveries at their present level, or perhaps increase them, provided that this is done discreetly.

6. An all out strike by ASLEF. There are three possible scenarios:-

(a) NUR moving coal. I am advised that we cannot rely on the NUR to move coal by rail, if ASLEF move to an all out strike. NUR drivers (1600 against ASLEF's 23,000) are unlikely to be in the right place, familiar with the required routes or willing to substitute for striking ASLEF drivers (NUR members have been advised not to cross picket lines during the current actions; less than 10% of the NUR drivers have reported for duty). I do not believe it is realistic to think we could rely on the NUR to move the required coal. (This would be even more the case if British Rail introduce a lock out).

(b) NUM co-operation. In relying on road and water for the delivery of coal, the attitude of the NUM will be important. On present advice, it seems likely that the NUM members would be prepared to continue to deliver some 250,000 to 300,000 tonnes a week, ie at about the present rate. There is a risk, however, that they might refuse to handle more than the normal level of road borne supplies ie some 100,000 tonnes. Physically, as much as 500,000 tonnes could be moved by road but it seems unlikely that NUM tolerance could be pushed that far.

(c) The use of Servicemen. MISC 57 assessed the potential for servicemen moving coal from pithead to power stations at about ½ - ¾ mt a week. MISC 57 also emphasised the possible adverse political and industrial relations repurcussions. The NUM would almost certainly black road deliveries by servicemen in the event of an all out ASLEF stoppage and would probably extend their action to picketing service lorries or servicemen who

attempted to load coal. The consequences for law and order would be serious.

Conclusion The measure already in hand should enable us to hold the position unless ASLEF's action escalates to an all out strike. In the event of an all out strike, I see no prospect of avoiding electricity restrictions (we would then be losing some 1mt a week from stock). We would need to impose some restrictions approximately four weeks after a stoppage and then to tighten these progressively; by, say, the sixth week we should need to cut demand by an unprecedented 40% or 50%.

NL

10 February 1982

ANNEX

EFFECT OF MEASURES TO HALT EROSION OF POWER STATION STOCKS (GB)

(mtce)

NO EXCEPTIONAL ACTION		ENDURANCE	ADD ø EXTRA OIL BURN	ADD x EXTRA ROAD DELS	ADD EXTRA SCOTS ELECTRICITY	STOCKS	ENDURANCE
W/ending 7 Feb	13½						
14 Feb	12¾	over 5 weeks	?	¼	?		
21 Feb	12	5 weeks	0.4	0.3	0.1	12	5 weeks
28 Feb	11¼	under 5 weeks	0.4	0.3	0.1	12.1	5 weeks
7 March	10½	over 4 weeks	0.5	0.3	0.1	12.2	over 5 weeks
14 March	9¾	under 4 weeks	0.5	0.3	0.1	12.2	over 5 weeks
21 Mar	9	3½ weeks	0.5	0.3	0.1	12.4	over 5 weeks
28 Mar	8¼	3 weeks	0.5	0.3	0.1	12.5	over 5 weeks
4 April	7½	under 2 weeks	0.5	0.3	0.1	12.6	over 5 weeks

ø Oil burn less than estimated earlier. Rail dependent oil deliveries have been adversely affected by Aslef; both oil depots and power stations have been affected.

x It would be possible to add 0.2 mt a week if rail deliveries stop and NUM prepared to handle.

Coal

SECRET

Copied to Transport Part 3.

40

MR. SCHOLAR

c. Mr. Hoskyns

Emergency Oil Burn: Public Expenditure Aspects

In his note which arrived yesterday evening, the Chancellor says that we must resist the MISC 57 proposal for accelerated oil burn after the end of the ASLEF dispute. (MISC 57 did not actually recommend that, merely drew attention to it as an option.)

I am still quite sure that it would be wrong to reach a judgement either way on how much oil needs to be burned to provide adequate endurance by next November, until we know the position we are in after the ASLEF dispute. It may well be, as the Chancellor indicates, that it will seem like a bad buy, with only a few weeks endurance being purchased at huge cost. But if the ASLEF dispute lasts even at its present level of disruption much beyond the spring, we shall be losing part of the period in which we normally build up stocks for the autumn at a substantial rate; and the projected level in November will start to look inadequate even if there is no industrial action in the mining industry. There are too many uncertainties about the level of power station stocks at the end of the ASLEF dispute for it to be safe to decide now not to go for accelerated oil burn at that time. And there is of course a whole spectrum of intermediate levels of additional oil burn.

The right course is surely to wait until ASLEF go back to work, see what the level of coal stocks then is, decide what level to aim for for November, and take decisions on oil burn - and imports, and gas burn, and road delivery - accordingly.

J.M.M. VEREKER

10 February 1982

SECRET

012

Prime Minister (2) cc JV AD

MCS 11/2

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

PARLIAMENTARY UNDER SECRETARY OF STATE

Rt Hon Leon Brittan MP QC
HM Treasury
Parliament Street
London SW1

9 February 1982

Surely we should consider with the reason & validity of the proposed increase in coke price. Other - in the private sector - large to hold their prices. MT

Dear Leon,

FOUNDRY COKE

Last summer MISC 56 agreed to provide £7m of assistance to NCB in order to enable the list prices for foundry coke charged by National Smokeless Fuels Limited (NSF), a wholly owned subsidiary of NCB, and British Benzol Carbonising Limited (BBC), the other UK producer of foundry coke, to be reduced by £10/t to make them competitive with the delivered price of imported foundry coke, over the period to 31 March 1982.

As the second report from NEDC Task Force on industrial energy prices showed last Autumn, this assistance has been largely effective in closing the gap between UK prices and the delivered price of imports, although some Belgian producers have sought to win a share of the UK market by dumping, and French prices are still below ours. We now need to consider our next move.

In the absence of further assistance, it is clear that both NSF and BBC would need to raise their list prices for foundry coke by some £20/t to make up the loss of the present £10/t assistance and to offset cost increases since the summer. These increases would take UK prices substantially above European levels (there is no prospect of an early increase in European foundry coke prices). Further, the difficulty of the foundry industry's position has, if anything, got worse since last summer. The evidence is that foundries could not face any increase in the price of coke. Indeed, four large modern foundries (including Fords), whose annual purchases of some 0.1mtpa coke are worth some £10m pa are on a knife edge.

In these circumstances, price increases of £20/t in all probability, would not stick. Either NSF and BBC would be forced to concede offsetting discounts to retain business, or their customers would either turn to imports or, at the extreme, be forced to close. In either case, the reduction in assistance to NCB, would be offset by an increase in NSF's losses (which they would have no prospect of making good elsewhere), while BBC could well be forced out of business.

All our options are unattractive. Ending assistance would not relieve the PSBR, and, could also well lead to the closure of large modern foundries which we should normally want to preserve. In addition, the argument about the disparity between our energy prices and those in Europe could well be re-opened in a context which was not favourable to us, and there could be wider political damage.

I have considered the possibility of continuing assistance at a level which would allow foundry coke prices to rise by £10/t instead of by £20/t. The cost of this assistance on the estimates available to me might be £4m in a full year. This figure, however, does not take into account any consequent increases in NSF's losses. Even this measure to reduce rather than eliminate a price increase, however, would run the same risks of precipitating foundry closures, and have the same wider dangers.

I am therefore forced to the conclusion that the least unattractive option is to provide NCB with support sufficient to enable them to put both NSF and BBC in a position to avoid further increases in their list prices for foundry coke until 31 December 1982. This would be the natural date for NCB to make their next increase in the price of coking coal, and would provide us with a natural occasion to reconsider the position. The cost of this support on the same basis as that given this year, might be up to some £9-10m in a full financial year. Down to 31 December, the cost might be £7-8m, but, in reality, we must hope to be able to taper down, rather than cut off assistance then. I suggest that this aid should be paid in the same way as this year to NCB, through an increase in their EFL and Deficit grant limits, leaving them to find the best way of transmitting it to NSF and BBC, and the way which will involve least risk of Community complications.

I should make it clear that, like the aid which we have given this year, this proposal requires us to stretch EC rules to their limit, and therefore cannot be entirely free from risk, although there has so far been no challenge.

The only way of escaping from the need to continue this subsidy is for NSF to bring their present excess of capacity into line with demand, and so achieve a more economic level of throughput which will enable them to bring down unit cost. It is essential that we should force NCB and NSF to get to grips with this problem. I therefore suggest that this assistance to NCB should be made conditional on NCB's 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. Despite the industrial relations problems in closing coke ovens manned by NUM members, this plan should involve the closure of at least one of the three coke ovens producing foundry coke by Summer 1983.

I hope that you will be able to agree to these proposals.

I am sending copies of this letter to the Prime Minister, the Members of E Committee, Sir Robert Armstrong, and to Mr Ibbs.

Yours ever
John

JOHN MOORE

Copied to Transport Part 3
Prime Minister

Good

CDP

MCS 9/2

39

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

PRIME MINISTER

EMERGENCY OILBURN : PUBLIC EXPENDITURE ASPECTS

I have been thinking about our meeting yesterday.

2. I of course stand by our decision that power station oilburn in England and Wales should be maximised at once, and I shall be in touch with Nigel Lawson about how the costs, while the ASLEF dispute lasts, are to be met. If the dispute were to run until the end of March, the net costs would be some £260 million. Some of this could no doubt be accommodated by the electricity supply industry within their existing EFL; the balance, if any, would have to be found from this year's contingency reserve, but I foresee no major problem about that.

3. I am, however, very concerned about the consequences for public expenditure if the increased level of oilburn was to be maintained after the end of the ASLEF dispute. The costs in 1982-83 would be very considerable: some £240 million plus another £50 million for the accelerated coal scheme if it too were agreed. To accommodate these would risk increasing next year's contingency reserve, and next year's public expenditure total rising to some £115.5 billion, which would be widely seen as a significant move away from the £115 billion mentioned in our 2 December statement. Moreover, options for the Budget - on which I should like to have a further word with you tomorrow - would be constrained, since the increased costs would bring a commensurate PSBR increase. £240 million-worth of fiscal relief could bring significant dividends; whereas the accelerated

SECRET AND PERSONAL

oilburn would buy us by November only three weeks extra power station endurance. A bad buy. I think that we must resist pressure in Cabinet for immediate implementation of the MISC 57 proposals for accelerated oilburn for 1982-83. We need to distinguish between what must be done in 1981-82, and what could be done in 1982-83; and the oilburn proposal for 1982-83 does not, seen from here, look like the best use of resources. Perhaps we could discuss this during our meeting tomorrow.

G.H.

9 February 1982

FILE

38 ds

SUBJECT

cc Master Set

d Transport: B.R. Fares Pt 2.

bc Vereker
Duguid

10 DOWNING STREET

From the Private Secretary

9 February 1982

Dear Julian,

Coal and the Railways

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

Ministers decided:-

(i) that power station oilburn in England and Wales should be maximised immediately, as proposed by your Secretary of State. No increase in power station oilburn was necessary at this stage in Scotland;

(ii) that the Chancellor of the Exchequer and your Secretary of State should consider further how the costs involved in increasing power station oilburn might be met. There was general agreement that the costs should not be passed on immediately in full to the consumer, resulting in a substantial increase in electricity prices beyond that already due to take effect on 1 April. Your Secretary of State and the Chancellor were asked to consider whether instead they should be met by a special Government grant or by increased borrowing by the CEGB, which would result in a small increase in prices over a long period;

(iii) neither the Railways Board nor the Government should take any step at this stage which might escalate the railway dispute. But your Secretary of State should investigate urgently the endurance that power station coal stocks might offer in the event of an all-out strike by ASLEF on the basis of the following three scenarios:-

(a) that the NUR would be ready to move as much coal as possible by rail;

/(b)

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

(c) the use of Servicemen to deliver coal to the power stations.

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

(iv) the CEGB and the National Coal Board were to maximise as quickly as possible power station coal deliveries by road and by water-borne transport and your Secretary of State should investigate as a matter of urgency the level of deliveries that might be achieved in this way. But no immediate steps should be taken to increase coal imports beyond planned levels;

(v) the CPRS in consultation with the Department of Transport, the No.10 Policy Unit and the Department of Employment should consider urgently how the ASLEF membership might be induced to agree to the productivity improvements sought by the Railways Board, for example through the introduction of generous redundancy terms along the lines of the coal industry scheme; and whether it might prove possible to dissuade other trades unions from supporting ASLEF;

(vi) the Secretary of State for Transport should report to the Cabinet as soon as possible on the options open to the Government in respect of the present limit on temporary borrowing by the British Railways Board, which is likely to be breached towards the middle of this month if the ASLEF dispute continues, and in particular on whether it might be possible to require the Board to borrow against its assets without a Government guarantee or to link increased temporary borrowing with faster asset disposal in other ways;

(vii) the Secretary of State for Industry should consider with the Chairmen of British Steel and British Leyland whether it would be possible or advantageous for them to represent to the trades unions in their industries the case for their bringing pressure on ASLEF to settle, because of the long-term implications for these industries of the continuation of the ASLEF dispute; and

(viii) Ministers would wish to consider at a later stage strategy towards power station coal stocks next winter. Meanwhile your Secretary of State should explore with the CEGB, the NCB and the BRB what maximum level of deliveries to the power stations might be possible once the ASLEF dispute was resolved.

/Finally,

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

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

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

B/F

for Cabinet.

Yours sincerely,

Michael Scholar

Julian West, Esq.,
Department of Energy.

DRAFT LETTER FOR MR SCHOLAR TO SEND TO MR WEST, DEPARTMENT OF ENERGY

COAL AND THE RAILWAYS

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

2. Ministers decided:-

(i) that power station oilburn in England and Wales should be maximised immediately, as proposed by your Secretary of State. ~~This would make good the losses in coal deliveries to the~~ power stations resulting from the ASLEF dispute and would therefore stabilise power station coal stocks at their present level, provided that the railway dispute did not escalate beyond ~~the current pattern of strikes~~. No increase in power station oilburn was necessary at this stage in Scotland;

(ii) that the Chancellor of the Exchequer and your Secretary of State should consider further how the costs involved in increasing

power station oilburn might be met. There was general agreement that the costs should not be passed on immediately in full to the consumer, resulting in a substantial increase in electricity prices beyond that already due to take effect on 1 April. ~~But~~ Your Secretary of State ~~Ministers did not reach a decision on~~ whether instead they should be met by a special Government grant or by increased ~~longer term~~ borrowing by the CEGB, which would result in a small ~~immediate~~ increase in prices ~~in the long term~~ over a long period;

State ~~for Energy~~ and the Chancellor were asked to consider

(iii) neither the Railways Board nor the Government should take any step at this stage which might escalate the railway dispute. But your Secretary of State should investigate urgently the endurance that power station coal stocks might offer in the event of an all-out strike by ASLEF on the basis of the following three scenarios:-

(a) that the NUR would ~~continue~~ be ready to move ~~some~~ as much as possible coal by rail;

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

(c) the use of Servicemen to deliver coal ~~by road~~ to the power stations.

He should also consider how far in each scenario the NUM might be expected to continue to co-operate in the maintenance of power station coal deliveries.

The Prime Minister asked that this work should be completed in time for your Secretary of State to report the position to Cabinet this Thursday;

(iv) the CEGB and the National Coal Board ~~should be told to~~ were to maximise ~~maximise~~ as quickly as possible power station coal deliveries by road and by water-borne transport and your Secretary of State should investigate as a matter of urgency the level of deliveries that might be achieved in this way. But no immediate steps should be taken to increase coal imports beyond planned levels; ~~although this option should not be ruled out;~~

(v) the CPRS in consultation with ~~your~~ the Department of Transport, the No 10 Policy Unit and the Department of Employment should consider urgently how the ASLEF membership might be induced to agree to the productivity improvements sought by the Railways Board, for example through the introduction of generous redundancy terms along the lines of the coal industry scheme; and whether it might prove possible to dissuade other trades unions from supporting ASLEF;

(vi) the Secretary of State for Transport should report to the Cabinet ~~on Thursday~~ as soon as possible on the options open to the Government in respect of the present limit on temporary borrowing by the British Railways Board, which is likely to be breached towards the middle of this month if the ASLEF dispute continues, and in particular on whether it might be possible to require the Board to borrow against its assets without a Government guarantee or to link increased temporary borrowing with faster asset disposal in other ways;

(vii) the Secretary of State for Industry should ~~discuss~~ consider with the Chairmen of British Steel and British Leyland whether it would be possible or advantageous for them to represent to the trades unions in their industries ~~might be persuaded to~~ the case for them bringing pressure on ASLEF to settle, because of the long-term implications for these industries of the continuation of the ASLEF dispute; and

(viii) Ministers would wish to consider at a later stage strategy towards power station coal stocks next winter. Meanwhile your Secretary of State should explore with the CEGB, the NCB and the BRB what maximum level of deliveries to the power stations might be possible once the ASLEF dispute was resolved.

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

3. None of ~~the ab~~ these pieces of work are to be circulated to Departments; the Prime Minister would be grateful if ~~you of their so~~ they were sent to Cabinet on Thursday, for ~~circulation~~ distribution there.

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

Copied to Transport: D.R. Fraser Pt 2.

SECRET

37

PRIME MINISTER

c.c. Mr. Hoskyns
Mr. Duguid

YOUR MEETING ON COAL STOCKS AND THE ASLEF DISPUTE

Although there are two distinct halves to the agenda - coal stocks this spring, and coal stocks next autumn - and two distinct problems - ASLEF's industrial action now, and possibility of industrial action by the miners in the autumn - the rail and coal issues and decisions are now inextricable; and we do not think their relationship is properly brought out in the notes from Mr. Lawson and Mr. Howell.

ASLEF

Everything now points towards temporary closure of the railways. Peter Parker seems to expect it; the newspapers are calling for it; the public would probably support it if we catch the wave of public opinion at its crest; and nothing else now seems to hold any hope of bringing ASLEF to the negotiating table.

We think this is right. As in the steel strike, it could bring about long overdue and major changes in the industry. It must be done in a sophisticated way - without too high a Government profile, but leaning firmly on Parker behind the scenes; with due warning, to maximise the chance of a sufficient number of ASLEF drivers reporting to work to enable some coal to be delivered; and with continuing payment to NUR, at the basic rate. If we let things go on as they are, we fear that McCarthy will eventually bribe ASLEF back to the negotiations by promising them a favourable settlement; and we think that the dispute could drag on until well into March.

But we shouldn't go down that route unless we are sure about coal stocks.

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As Mr. Lawson says, we have about five weeks' worth of coal at present. If we maximise oil burn, at a net cost of £260 million,

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we shall have seven weeks. We think it unlikely that ASLEF could sustain an all-out strike for anything like that long. But even if they did, other measures are available to avoid either power cuts or giving in. First, we would use as many ASLEF drivers as are prepared to work to move coal. Second, we would make maximum use of civilian road haulage capacity. Third, we could, if necessary, use our plan for movement of coal by road using the troops. We agree with Mr. Lawson that it would be a mistake to increase imports, since we do not wish to push the NUM into this dispute. And we think Mr. Howell ought to investigate how long it would take to train up new drivers, using NUR staff.

Coal stocks next autumn

We strongly endorse Mr. Lawson's recommendation for maximum deliveries of coal to power stations from immediately after the end of the ASLEF dispute until further notice, both by road and rail. Even so, the MISC 57 report indicates that we shall have only 18 to 19 million tonnes at the power stations at the beginning of November. We think it would be wrong to decide now to maximise oil burn throughout the summer, because that would be extremely expensive. The better approach surely would be to reassess the prospects for November coal stocks when the ASLEF dispute has ended.

Further action

You may feel that these judgements and conclusions need some further and careful analysis by officials before Ministers take decisions leading to the closure of the railways. A possible way forward would be to ask Robert Wade-Gery to organise the necessary work urgently, and to prepare a report which could be available to Cabinet on Thursday.

Yes please

5 February 1982

Ref: B06404

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PRIME MINISTER

c Sir Robert Armstrong

Coal and the Railways

BACKGROUND

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

+ John Hoskyns

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

(i) The immediate problems of this winter

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

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

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

(ii) Preparations for next winter

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

FLAG E

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

FLAG F

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

The Immediate Problem

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

FLAG G

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

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

Next Winter

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

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

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

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

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

HANDLING

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

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

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

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

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

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

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

CONCLUSION

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

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

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

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

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

5th February 1982

R L WADE-GERY

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PRIME MINISTER

c.c. Mr. Hoskyns
Mr. Duguid

cc. Transport: BR Fares: Pt 2

YOUR MEETING ON COAL STOCKS AND THE ASLEF DISPUTE

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5 February 1982

Prime Minister
AO
JV

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SECRET

PRIME MINISTER

1. We are to meet on 8 February to consider our policy towards the coal industry now that the wage negotiations have been successfully concluded.

2. The recent ballot was a significant defeat for Arthur Scargill but this will make him all the more anxious for a victory this autumn. He will now concentrate on preparing the ground with his campaign moving into top gear after the NUM Annual Conference in July.

3. The recent ballot again showed that the majority of miners are moderate men who know a reasonable offer when they see one and who are unwilling to be dragged out on strike largely for political reasons. Scargill's task is to turn these moderates into militants. The task of the Board is to keep the moderates moderate. Our policies, both towards the coal industry and more generally, could facilitate the Board's task - or they could help Scargill.

4. The Board and the Government played their hands skilfully and successfully during the recent negotiations. The outcome could have been very different. For example, had we insisted that the Board make an opening offer of 4%, the atmosphere for the whole negotiations would have been soured from the outset. When we come to consider our approach to the next round of wage negotiations in the summer we should draw on our experience during the recent round. I have commissioned work both from the Board and my Department on this subject.

5. The prospects for the next round will be influenced both by our general policies in the interim, for example the Budget and Norman Tebbit's new Employment Bill (I have asked the Board to keep me briefed about the NUM's reaction to this), and above all by our policies specifically related to the coal industry. As the CPRS note points out, it is essential that we consider very carefully, as we have done during the recent negotiations, the likely effect of our decisions on various aspects of coal policy (eg closures, investment, EFL, handling of the MMC report) on our ability to defeat Scargill again this autumn. We shall also need to maintain our non-attributable press briefing campaign.

SECRET

6. If we play our hand skilfully we can greatly reduce the likelihood of a confrontation on pay leading to a strike this autumn. But we cannot rule out this danger. Confrontation could also arise on other matters eg closures. We must therefore prepare ourselves for it. My proposals are set out in paragraph 10 below. But these preparations present us with a dilemma. The greater the effort to prepare ourselves for a possible strike the more obvious will this become and the more danger there will be of provocation. Scargill will not be slow to point out what we are doing and try to stop us or to seek political confrontation. We therefore need to maintain a well judged balance.

7. We have good reasons now to take steps which will extend endurance; the weather and ASLEF have eroded power station coal stocks; at the same time some pithead stocks are building up to levels that threaten the rate of output. The NUM have every incentive to co-operate; while ASLEF members may welcome the opportunity of earning overtime to make up for their loss of earnings. There may come a point during the summer when stocks have been built up so far that justification for exceptional measures no longer holds good. We can then adjust our position if that appears likely although it will be easier to maintain a pattern once established.

8. There are three "endurance" measures we must now consider and discuss with the Boards:

(i) Maximising Coal Deliveries by Rail and Road

Delivering as much coal as possible from pithead to power stations as soon as BR return to normal working and throughout the summer. Every effort should be made to extend overtime to 7 day loading in the mines and 7 day delivery throughout the spring and summer. The rail system would be stretched to the limit and there are doubts as to whether work forces would be prepared for the regular overtime involved over many months. Movement of coal by road would also be maximised - at the present time some 250,000 tonnes of coal per week are being delivered by road to the CEGB compared with the normal level of some 110,000 tonnes. The exact amounts of NCB coal that could be moved in this way are still under discussion with the Boards concerned. I shall report further when we meet.

(ii) Increasing Oil Burn

As indicated in my earlier minute we need to maximise oil burn in the short-term, and we should maintain it subsequently in order to maximise coal stocks by 1 November (24 mt if the ASLEF action ceases by the end of this month).

(iii) Importing Coal

Coal imports are a highly sensitive issue. We have agreed to limit imports in 1981/82. As a result CEGB stocks have built up on the Continent to 1 mt; these could be readily imported. Together with contracted supplies in 1982/83 and other purchases it might be possible to bring in 3 mt of coal imports between 1 April and 1 November. But this would, to some extent, displace NCB coal and would be highly provocative. My advice is that at present we should import no more than 750,000 tonnes and retain the stock in Rotterdam in case we need to import it this autumn.

9. I would have to discuss financing the additional costs generated by these measures with the Chancellor. How the strategy and ensuing expenditure will be phased will depend partly on the short term measures we find it prudent to adopt in the light of the ASLEF action. Measures taken now are not wasted; if we build coal stocks in February/March by exceptional measures (principally oil burn) and there is no need for them in the event, the gains we make will carry forward to November. But short term measures (principally oil) are expensive.

CONCLUSIONS

10. I invite colleagues to agree:

(a) We should ask the NCB, CEGB and BRB to plan for maximum deliveries of coal to power stations from immediately after the end of the ASLEF disruption until further notice.

(b) We should ask the NCB and CEGB to maintain coal deliveries by road at least at their present level until further notice.

(c) We should authorise the CEGB to increase its oil burn to the extent necessary to achieve the maximum coal stocks now possible at power stations by 1 November 1982.

(d) CEGB coal imports should be limited to 750,000 tonnes in 1982/83. The CEGB's stockpile at Rotterdam should be maintained for use in the event of a miners' strike.

(e) The extra costs of these measures should be met out by the Contingency Reserve.

11. I am copying this minute to the Chancellor of the Exchequer, the Secretaries of State for the Home Department, Employment, Defence, Scotland, Transport and Industry and to Sir Robert Armstrong and Mr Ibbs.

T.D.

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

4 February 1982

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Prime Minister

(2)

Ref: B06400

MCO 4/2

MR SCHOLAR

Power Station Coal Stocks for Next Winter

Attached is an analysis by the Official Group on Coal of the decisions which Ministers need to take this winter to determine the level of coal stocks at power stations to be achieved by next November. This is the paper referred to in paragraph 4.ii.a. of my minute of 2nd February.

2. It will be seen that the issues are as follows.

a. The decision about the delivery rate of coal from pitheads, which was deferred by Ministers at their meeting on 17th December.

b. New decisions required because of the potential effect of this winter's troubles (weather and ASLEF) on next winter's stocks; these relate to the possibility of increasing oilburn and/or coal imports, and to the extra costs which that would involve.

3. Policy recommendations are being put forward separately by the Secretary of State for Energy.

4. I am copying this minute to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer and the Secretaries of State for Defence, Scotland, Industry, Transport, Energy and Employment and to Robert Armstrong and Robin Ibbs.

4th February 1982

R L WADE-GERY

POWER STATION COAL STOCKS

Note by the Official Group on Coal (MISC 57)

INTRODUCTION

1. At the Prime Minister's meeting on 17 December to discuss the MISC 57 reports circulated with the Home Secretary's minute of 6 December, Ministers agreed to consider further, once the outcome of the miners' 1981 pay negotiations was clear, whether the present accelerated rate of coal deliveries should be continued throughout 1982 or whether instead to opt for a super-accelerated rate of deliveries. The miners have now accepted the National Coal Board's (NCB) offer. This report therefore summarises the options for Ministers in respect of power station coal stocks next autumn and the immediate decisions required.

PREVIOUS DECISIONS

2. The strategy which Ministers endorsed at their meeting on 17 December was as follows -

i. not to increase power station oil stocks, negotiate contracts for further oil supplies, provide extra oil storage facilities, or make advance preparations for diverting gas supplies to the power stations until a miners' strike was clearly imminent;

ii. not to increase coal imports until a strike has started;

iii. to increase stocks of most ancillary materials at the power stations to match the level of coal supplies that would be achieved by maintaining the present rate of coal deliveries and to rely on Servicemen to make good any shortfall that the Electricity Boards fail to replenish during a strike;

iv. to do no further preparatory work in respect of the use of Servicemen, but to ask the Services, as a fallback during a miners' strike to deliver ancillary materials (which were not otherwise

available) and the remaining useable pithead stocks to the power stations and possibly also to assist coal-burning industry, in that order of priority; and

v. to continue for the time being the 1981 accelerated rate of coal deliveries to power stations; and (as noted above) to defer until the outcome of the miners' 1981 pay negotiations was clear, a decision on whether or not to accelerate still further deliveries during 1982.

Ministers also agreed that the net costs of increasing endurance by November 1982 should be met from the Contingency Reserve, but that public announcements should be avoided, so far as possible. Depending on the target level of power station coal stocks the net extra costs were estimated in our previous report as lying in the range £15-50 million.

3. The outcome of this winter's miners' pay negotiations is now known. But since December the prospect for power station coal stocks next winter has been radically altered by the exceptional weather and by the ASLEF strikes. Two immediate decisions therefore arise for Ministers. First the decision postponed at v. above: what rate of coal deliveries from pitheads to power stations to aim for by next November, which in turn depends on a view about the degree of visibility that can be risked. Second, whether in preparation for next winter extra steps should be taken to ensure larger power station coal stocks by burning more oil and less coal and/or by increasing the rate of coal imports.

4. Ministers commissioned work on a number of other topics and officials have this in hand; but none of that raises immediate issues for decision.

THE RATE OF DELIVERY

5. Our previous report discussed three possible rates of coal delivery to power stations designed to produce three different levels of power station coal stocks by November 1982, as follows -

a. the maximum stocks physically possible following minor construction works (which was then estimated to be slightly less than 31 million tonnes);

b. the maximum possible with existing storage facilities (then estimated to be 27 million tonnes); and

c. the level of stocks achievable by continuing the accelerated rate of coal deliveries which obtained before the ASLEF strikes (then estimated at 23-24 million tonnes).

Ministers ruled out the first of these three - which raised very considerable visibility problems - at their meeting on 17 December. In any case it would no longer be possible for this volume of coal to be delivered to the power stations by November 1982, given the impact of the present industrial action on the railway and the possibility of further industrial action later in the year; snd it is also very doubtful whether the necessary construction work could be completed in time. The choice for 1982 therefore lies between options b and c above; but the volumes of coal resulting from either of these could be different from those given above (see paragraphs 12 and 15 below). By November 1983, on the other hand, it would probably be possible to complete the construction works necessary to allow coal stocks to be increased to the maximum physically possible - 31 million tonnes. But an early decision to do so would be required. We shall be reporting soon on the steps that would need to be taken, the timetable for the work and whether the problems of visibility which would arise might be overcome.

6. Our previous report concluded that although the programme of accelerated coal deliveries initiated last year (ie option c above) had led to comment by the power station trades unions and by those in the coal and rail industries, there remained a reasonable prospect that this rate of delivery could be continued until next November without industrial trouble. In respect of option b. our report said that it might be possible to present a decision to opt for this level of coal stocks as a sensible measure to help the National Coal Board by the movement of stocks from the pitheads

to the generating stations where they are finally to be used, but that this line of argument would not be particularly convincing and that the overtime required - six day working on the mines and six and a half day working on the railway - would be significant and the risk of industrial action therefore considerable.

7. Two factors have changed since our previous report, namely -

i. power station coal stocks have been reduced by this winter's exceptionally cold weather and by the ASLEF strike to well below their expected level; and

ii. once the ASLEF strikes are over, railwaymen may be readier than usual to work exceptional overtime in order to recoup their lost earnings.

Thus there might now be a better chance of achieving higher rates of overtime working than was previously thought possible, and a more convincing public justification for doing so.

8. As regards the delivery rate, therefore, the questions for Ministers are -

a. Could steps to maximise this year's coal delivery rate be publicly justified?

b. Would the miners and the railwaymen work the necessary overtime?

c. Or is a continuation of the existing accelerated rate of coal deliveries the more feasible option?

It should be noted that if a maximised delivery rate is decided on, no steps in implementation will in practice be possible until the ASLEF stoppages are over.

ENDURANCE

9. The current pattern of ASLEF strikes are roughly halving coal deliveries to the power stations. The course of the dispute will therefore affect the level of power station coal stocks achievable by next November. On the arbitrary assumption that ASLEF strikes continue on the present pattern until 1 March and then stop, and assuming a normal level of power station oilburn, the coal stock position would be -

	power station coal stocks	endurance	useable pithead coal stocks
(i) when the ASLEF dispute was resolved (1 March on our arbitrary assumption)	10-11 m tonnes	about 5 weeks	12-13 m tonnes
(ii) at 1 November with an accelerated rate of deliveries from 1 March	16-17 m tonnes	7-8 weeks	10 m tonnes
(iii) at 1 November with a super-accelerated rate of coal deliveries from, say, 15 March	18-19 m tonnes	8-9 weeks	about 8 m tonnes

OTHER STEPS TO INCREASE ENDURANCE

10. Given the uncertainties about the course of the ASLEF dispute and the possibility, which cannot be ruled out, that there will be further industrial trouble on the railway during the course of the 1982 pay negotiations (the settlement date is 20 April) the question arises whether additional special action should be taken to make good, so far as possible, the impact on power station coal stocks of the bad weather and the ASLEF dispute. The two possibilities for doing so are to increase power station oilburn and/or coal imports.

Oilburn

11. The possibility of increasing power station oilburn immediately to halt further erosion of power station coal stocks through the continuation of ASLEF strikes is discussed in a separate note by the Secretary of State for Energy addressed to the immediate problem of power supplies this winter. Whatever decision Ministers take on that, they will also need to consider whether some or all of the potential shortfall in power station coal stocks next winter as a result of this winter's bad weather and the ASLEF dispute should be replaced by increasing weekly power station oilburn throughout the year. The ASLEF dispute is currently reducing coal deliveries to the power stations by roughly $\frac{3}{4}$ million tonnes per week. That and the bad weather had reduced power station coal stocks by about 3 m tonnes by the end of January and, assuming there is no further escalation of the ASLEF dispute, the short-fall by the end of February is likely to be about 6 m tonnes. This could be made good by November by increasing power station oilburn by the equivalent of roughly 200,000 tonnes of coal per week between March and October. The cost would be perhaps £360 million, of which £120 million would fall in the present financial year and the remainder in 1982-83. These costs probably could not be accommodated within the Electricity Board's existing External Finance Limits (EFLs) and these would therefore have to be increased. In theory, the costs involved could be passed on in full to the consumer, but to seek to do so immediately would involve price increases of about 5 per cent on top of the 10 per cent already planned for 1 April. It would, of course, be possible to burn less extra oil in the power stations and thus reduce the cost and therefore the level of extra electricity price increase required. But the corollary would be that by November power station coal stocks would also be less than they might otherwise have been. For example, extra weekly oilburn equivalent to 100,000 tonnes of coal between March and October would cost about £180 million, requiring an extra electricity price increase in April of about $2\frac{1}{2}$ per cent. But the shortfall in power station coal stocks by November would be broadly 3 million tonnes, equivalent to 1-2 weeks endurance.

12. Increasing power station oilburn sufficiently to make good the reduction in coal stocks due to the weather and the ASLEF disputes, would mean that by 1 November power station coal stocks might be 21-22 million tonnes if the accelerated rate of coal deliveries were to be resumed from 1 March and 23-24 m tonnes if a super-accelerated rate were to prove practicable from mid-March

Coal Imports

13. It was agreed in last year's tripartite discussions that coal imports in 1981-82 should be limited to $\frac{3}{4}$ million tonnes. The NCB and the NUM are likely to assume that this applies also to future years, although there is no commitment to do so. The miners would certainly regard any move to increase imports in 1982-83 above this year's level as extremely provocative and could well seek to persuade other unions not to handle additional imports; the left wing of the NUM leadership would no doubt argue that their warning that the Government would seek to exploit the rejection of the NUM Executive's proposal in the pay ballot was now being borne out.

14. The CEGB has 1 million tonnes of coal stocks on the Continent and contracts for a further 1 million tonnes of imports up to September; further supplies of perhaps 1 million tonnes might be available on world markets. It would be possible for extra imports to be brought in quite quickly from April onwards. Significant costs would arise only if imports were to exceed 2 million tonnes, since the CEGB already owns the stocks on the Continent and their 1982-83 EFL assumes the import of 1 million tonnes of coal. The import of an extra 1 million tonnes would cost roughly £40 million. However, because of limitations on the transport system and on loading capacity coal imports would displace a proportion of NCB deliveries of home-produced coal by sea to waterside power stations. The net gain to power station coal stocks of the importation of 3 million tonnes of coal would be less than this, although pithead stocks would be correspondingly increased. The NCB and the CEGB are considering exactly what level coal imports could be accommodated.

15. The import of 2 million tonnes of coal would increase power station endurance next winter by about 1 week above the levels discussed in paragraph 12 above.

CONCLUSIONS

. Ministers are invited to decide:

i. whether, once the ASLEF dispute has been resolved, to continue coal deliveries to the power stations throughout 1982 at the previous accelerated rate, or whether to increase deliveries to a super-accelerated rate;

ii. whether to increase power station oilburn, and, if so

- by an amount sufficient to make good the reduction in power station coal stocks due to the weather and the ASLEF disputes? (presently estimated at extra oilburn equivalent to 200,000 tonnes of coal per week, costing £360 million in total); or

- by some lesser amount, with a correspondingly smaller cost and, if so, what?; and/or

iii. whether to increase coal imports from April, at a cost of £40 million for every 1 million tonnes above the total of the planned level of imports for 1982-83 (1 million tonnes) and the stocks held abroad by the CEGB (1 million tonnes), and, if so, by how much?; and

iv. whether the costs involved in ii, and iii. should be passed on to the consumer and, if so, within what timescale?

Cabinet Office

4 February 1982

✓ AO
JV

32

Prime Minister

SECRET

PRIME MINISTER

POWER STATION COAL STOCKS IN FEBRUARY AND MARCH

1. Exceptionally bad weather and ASLEF mid-week stoppages have combined to reduce coal stocks more sharply than usual. Each week of ASLEF action on the present pattern reduces coal stocks by about $\frac{3}{4}$m tons.

2. Power stations held about $13\frac{1}{2}$ mt of coal in stock at early February - about 5 weeks endurance. Assuming that the weekly loss of coal deliveries through ASLEF action continues at $\frac{3}{4}$ mt, coal stocks by end of February will have fallen to about $10\frac{1}{2}$ mt, 4 weeks endurance.

3. Action Already Taken

The Boards earlier increased their oil burn and stocks but, because of ASLEF's action the latter have now been run down somewhat. The movement of NCB coal by road to the CEGB has been doubled; last week some 250,000 tons went by road. Road delivery in Scotland has now taken over from rail and endurance at Scottish power stations is higher on average than in England and Wales.

4. The CEGB have, up to now, felt that no further exceptional measures (except for a small amount of coal imports) need be taken until it is clear that the ASLEF action will last beyond the end of February. But I believe that it would be prudent for some action to be taken (especially with our longer term strategy, as discussed by MISC 57 and in my other minute of today, in mind).

Further Measures

5. Oil. It would be possible to burn oil to the equivalent of 800,000 tons of coal a week at an additional cost of say £60m a week. Such a course would be obvious to the power, rail and mining unions but could easily be justified as a response to the bad weather and the ASLEF action.

SECRET

6. Two weeks of extra oil burn gains one week's endurance of coal, so that such action to the end of March (at a purchase cost of £360m and a net cost of about £260m) could raise endurance then to seven weeks. There would, of course, need to be discussions with the Boards about the EFL and financing implications of such extra oil burn.

7. Coal Imports. It would be possible to bring in about 250,000 tons of coal imports by end-March if a decision to do so were taken immediately. But this would involve breaking the agreement to limit imports reached last February after the Coal Tripartite. It would no doubt cause difficulties with the NUM and the gain of endurance would be minimal. The CEGB would like to resume imports but I believe that we should not allow them to go above the 750,000 tons agreed with the NUM until it becomes clear that the ASLEF action will continue beyond the end of February or escalate in the meantime.

Recommendations

8. I recommend:-

(a) that the Boards should be urged to continue to use road transport to move as much coal as possible;

(b) that the CEGB should be told that, in view of the ASLEF action, they should increase their oil burn as soon as possible to the level discussed above in order to build up coal stocks and

(c) that the CEGB should not at present be permitted to import coal in this financial year above the limit of 750,000 tons agreed with the NUM.

9. I am copying this minute to the Chancellor of the Exchequer, the Secretaries of State for the Home Department, Employment, Defence, Scotland, Transport and Industry and to Sir Robert Armstrong and Mr Ibbs.

B. D.

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

4 February 1982

RESTRICTED

Prime Minister

MBPM

Mus 5/2

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

cc AD
JV

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

2 February 1982

Dear Leon,

MINEWORKERS' PAY NEGOTIATIONS

You will have seen from the Press that the NUM formally accepted the NCB's pay offer on Tuesday, 26 January. The settlement comprises increases averaging 8.6% in basic rates (taking the basic rate for the lowest paid surface worker from £80.85 to £87.80 per week) together with service related Christmas bonuses (£70 for a man with 25 years' service or more). The overall cost of just over £102 million for payments to mineworkers is equal to that of a 9.3% increase in basic rates. Because incentive payments and other allowances are not increased, the effect on earnings is however only about 7.4%. This outcome is very similar to that suggested in this Department's contribution to the paper the Chancellor circulated with his minute to the Prime Minister of 4 August 1981.

The Board and the Union also agreed to set up a joint working party to consider proposals for a 'salaried status' for mineworkers. The party is to report within nine months, ie. just before the next settlement date, 1 November. It is not clear what changes the union really want in this area, but the discussion may eventually focus on improvements in sick pay or an extension of the 'guaranteed working week' provisions. The Board and the Union will also continue to examine the possibility of introducing a shorter working week at some pits without increasing costs - but again, no immediate action will ensue.

Over the next few weeks negotiations will take place covering the supervisory, managerial and technical grades in the coal industry. These will almost certainly result in settlements having the same estimated earnings effect as the mineworkers' settlement. I shall not report further on these unless there are any different developments.

I am sending copies of this letter to the recipients of the earlier reports.

Yours
John

JOHN MOORE

31

Prime Minister
To see what is afoot.

Ref: B06397

CC. JV

MR SCHOLAR

MCS 2/2

cc. Transport: BR Fuels: PK2

Coal and the Railways

This minute confirms the arrangements we discussed last week about the meeting of Ministers originally fixed for 4th February and now rearranged for 11.15 am on 8th February: viz. what issues it will need to address and what papers are to be provided.

2. The original purpose of the meeting was to take the decision on the level of power station coal stocks to be achieved by November this year which was postponed at the Ministerial meeting on 17th December until the outcome of the miners' pay negotiations was known. As seen in December this decision related only to the rate of delivery from pitheads to power stations: accelerated or super-accelerated. Since then, the unexpected diminution of power station stocks caused by the very cold weather and ASLEF stoppages has made it clear that Ministers will also need to consider other possible steps to increase power station coal stocks by next November; viz. more oilburn between now and then, and/or more imports.

3. But decisions in these areas cannot in practice be implemented while the ASLEF stoppages continue; and meanwhile the existence of those stoppages (coming on top of the cold weather) means that Ministers also need to address other coal issues, which are related to the level of power station stocks this winter rather than next. It may therefore be convenient to take these issues as Item 1 at the meeting; and to take as Item 2 the next-winter issues in paragraph 2 above.

4. Papers are being prepared as follows.

i. Three papers for Item 1

a. A note by the Secretary of State for Energy analysing the effect of ASLEF action and the cold weather on current power station coal stocks, assessing the possibility of stocks running down this winter to dangerously low levels and suggesting what might be done to avert this by eg additional oil burn during the next few weeks.

b. A note by the Secretary of State for Transport on the latest state of the ASLEF dispute and considering possible "exits" if required. This will discharge the remit undertaken by the Secretary of State for Transport at Cabinet on 28th January.

c. A first report from a working group under Treasury chairmanship which is assessing the wider industrial and economic effect of the continuing ASLEF action.

ii. Three papers for Item 2

a. A paper from MISC 57 analysing the issues described in paragraph 2 above.

b. A note by the Secretary of State for Energy making policy recommendations on these issues.

c. A paper by the CPRS dealing with a number of factors likely to bear on miners' pay negotiations in the 1982/83 pay round.

All these papers will need to be circulated not later than first thing on Thursday, 4th February. (The above division of labour, incidentally, up-dates and replaces the slightly different one suggested in MISC 57(82) 2nd Meeting.)

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

2nd February 1982

R L WADE-GERY

Nat Ind Coal

Prime Minister (2) 2 pp

MCS 2/2

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

PARLIAMENTARY UNDER SECRETARY OF STATE

cc AD JV

CONFIDENTIAL

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

2 February 1982

MT

Dear Leon,

THE NCB'S 1981-82 EFL

You should be aware of the indications we have had so far of the effect of the ASLEF dispute and of recent very cold weather on the NCB's finances.

In their October monthly financial return the Board were forecasting an EFR for 1981-82 of £1170m, £53m in excess of their EFL. At the subsequent monitoring meeting NCB officials indicated that, if all went well, they might reduce the EFR to £1150m.

Following discussion on their most recent monthly return the NCB told my officials that the disruptions to coal deliveries up to 24 January on account of ASLEF and the weather would amount to some $3\frac{1}{4}$-$3\frac{1}{2}$ tonnes. The net cost to their EFL would, however, only be some £30m net. The fact that the net cost was so low was explained by (a) the NCB no longer expecting to be paid for $1\frac{1}{2}$m tonnes of the coal which represented accelerated deliveries to the CEGB and (b) their hoping to make up about 1m tonnes subsequently, had the strike ended last week. Without the disruption the Board's EFR would have been reduced to about £1140m. But as a result of the disruption they believed that the lowest EFR they thought attainable was £1170m had the strike ended by 24 January.

The Board estimates that each further week of disruption is costing and will cost them about 750,000 tonnes of lost sales and £30m in lost revenue. After some five or six weeks, the Board would expect to have serious problems in accommodating any further increase in coal stocks at pitheads.

The longer the disruption continues, the smaller are the Board's already limited prospects of regaining lost ground on sales. Their billing system means that any additional sales, to make good the shortfall, would need to be made by the end of February to contribute towards this year's financial position.

The Board have promised to keep us in close touch as the situation develops. I shall be writing to you further about the financial impact of the ASLEF dispute on the NCB and the electricity supply industry when the position on the rail negotiations is clearer, with suggestion as to how we should deal with the resulting problems. I shall also be writing to you about the Board's prospective £23m overrun to its EFL leaving aside the effects of the weather and ASLEF.

I am copying this letter to the Prime Minister, the Home Secretary, the Secretaries of State for Transport and Employment, Sir Robert Armstrong and Mr Ibbs.

Yours
John

JOHN MOORE

30A

cc AD
JV

Covering SECRET

Prime Minister

Qa 05803

1 February 1982

To: MR SCHOLAR

From: J R IBBS

Coal

1. The Prime Minister is to hold a meeting at 10.15 a.m. on Monday 8 February, to consider what decisions Ministers need to take now to prepare for the next round of miners' pay negotiations in November.

2. The CPRS has prepared the attached note, to supplement the papers which are to be circulated by MISC 57 and the Department of Energy.

3. I am sending a copy of this minute and the attachment to the Private Secretaries to the Chancellor of the Exchequer, the Secretaries of State for the Home Department, Energy, Employment, Defence, Scotland, Transport and Industry and to Sir Robert Armstrong, John Hoskyns, John Vereker and Robert Wade-Gery.

JRI

Covering SECRET

COAL - THE NEXT PHASE

Note by the Central Policy Review Staff

1. The meeting is to consider what early decisions Ministers need to take against the possibility of industrial action in the next round of miners' pay negotiations in November.

2. On endurance, the latest MISC 57 report will discuss the unfavourable effects of the ASLEF strike and recent bad weather, and set out the issues for early decision. There are some more drastic options which will need to be carefully considered well before November; these are discussed briefly in the Annex. The rest of this paper considers the other issues which can usefully be discussed now.

3. There are some lessons to be learnt from the success of the last ballot. The main reasons why the miners voted as they did seem to have been:-

(i) The NCB was in the lead at all stages in the negotiations, and there was never any excuse for the extremists to represent the issue as a direct confrontation between the NUM and the Government. It will be important to maintain this stance, and keep any divergence of interests or views between the NCB and the Government out of the limelight.

(ii) The NCB (and Mr Gormley) were successful in convincing the miners that the future prospects of the industry, in terms of new investment and jobs, would be best served by a moderate outcome on pay. Again it will be important to avoid decisions which contradict this view. (The recent mood of the miners was in marked contrast to February 1981 when they saw the future of the industry and jobs at stake).

4. The objective for the Government in the coming months must be to improve the chances of a moderate outcome in the next pay ballot; or failing this of entering a strike in circumstances where subsequent settlement can be achieved with minimum damage to wider economic objectives and political credibility. A repeat of the last result cannot be taken for granted;

detailed analysis shows an erosion of the moderate vote in traditionally moderate areas (eg Nottinghamshire, Durham). Mr Scargill and his closest colleagues will be trying to gather support for an aggressive attack, - possibly politically slanted, on the NCB and the Government - though they will be anxious to avoid overplaying their hand and risking another humiliating defeat.

5. Several decisions by Ministers in the next few months will have an important bearing on miners' attitudes in November:-

(i) The decision to refer the industry to the Monopolies and Mergers Commission (MMC) will need to be carefully presented, as part of an overall programme of references and not as singling the industry out for special investigation; this is in hand. The report could be valuable as a careful factual study of the economic realities - the real costs of the "tail" of uneconomic pits, and the scope for improvement in working practices. But the timing of publication needs to be carefully considered; if the MMC can make an early start, and complete their work in six months, it might be published between the NUM conference and the start of negotiations in the autumn - but if there is any delay, it would probably be better to avoid publication while negotiations are proceeding.

(ii) The choice of a new NCB Chairman to succeed Sir Derek Ezra from 1 July will be crucial. He will not have long in which to establish himself before the pay negotiations, and will need to convey the right mixture of firmness and of genuine concern for the industry's future. Ministers will wish to give him and the Board clear objectives setting out their strategy for the industry.

(iii) There will be other very important decisions bearing on the industry's investment programme, notably on the NCB's application to develop the Belvoir coalfield, and how the industry is to meet its 1982/83 EFL which is at present unclear.

6. It is too early to judge what size or shape of offer will be appropriate in the autumn. But it is worth noting even at this stage

that the interests of the NCB and the Government do not necessarily coincide. The NCB can be assumed to want an outcome which imposes the lowest overall costs on the industry. But Ministers are also concerned about the impact of the settlement (and of a strike if it occurs) on other pay negotiations and on the economy overall. This raises the question whether there is any need to influence the shape of the NCB offer, even at some cost, to minimise the wider repercussions:-

(i) It is generally accepted that underground workers, despite their high current earnings, deserve special consideration. The earnings of surface workers (40% of total NUM membership) are more likely to be considered directly comparable with those in other public sector industries. This effect may be limited by the tendency to look at overall percentages. But would it be possible to tilt the balance of the offer in favour of underground workers, or in some other way which made it less likely to be prayed directly in aid in other negotiations?

(ii) The recent settlement was generally described as worth 9.3% on basic rates, but was in fact worth only 7.4% on overall earnings because of the structure of pay in the industry. Arguably this could have a perverse effect, if the miners were to judge the outcome by what it is worth to them in terms of extra earnings (and then adjust their next claim up accordingly), while unions in other industries treat the increase in miners' basic rates as their target. Thus the water industry has already settled at 9.1% on basic rates, equivalent in their case to 8.8% on earnings; the employers claimed to be taking account of the NCB offer, but in terms of earnings or pay bill have gone some 1½% higher. Public sector employers, and the Government, can do their best to counter this effect in later negotiations. But could the NCB be persuaded to minimise the effect next time round by some re-structuring of their offer?

7. The Government must avoid pressing its views on such matters to a degree which leads the NCB to appear, or to regard itself, as no longer the principal in the negotiations but merely as speaking for the Government.

But in our view these questions are worth exploring before the NCB comes to decide on the shape of its offer; no doubt the Department of Energy would be in the lead, consulting others concerned (Treasury and Department of Employment).

Conclusion

8. Aside from the decisions on endurance sought in the MISC 57 paper; we recommend that Ministers should endorse the following conclusions:-

(a) In the forthcoming decisions listed in paragraph 5 (MMC reference, NCB chairmanship, coal investment), Ministers should keep in view the need to improve the chances of a moderate outcome in the next NUM pay ballot.

(b) The Secretary of State for Energy should be invited to report by, say, 15 September on the scope for influencing the shape of the initial NCB offer in ways which would help to minimise its impact on other settlements, as discussed in paragraph 6.

(c) At that time Ministers should also review the more drastic options for extending endurance such as those listed in the Annex; they should consider now whether any work could usefully be done on any of the individual questions before then.

In preparation for a possible miners' strike this winter MISC 57 explored the more drastic options available that might extend power station endurance. This showed that it might be extended substantially by a combination of the use of servicemen to shift pithead coal stocks and rota cuts.

(a) As set out in MISC 57's report of 7 December, the services have the theoretical capacity to deliver about 750,000 tonnes of coal a week from pitheads to power stations by road. But this assumes that mass picketing by the NUM, or supporting action by other unions, does not prevent the servicemen getting into the pits or through to power stations or the coal being used. Also, to avoid alienating public opinion, it would be safer to wait before bringing in servicemen until the impact of the strike has brought recognition of the dangers to health, employment, etc. (e.g. by power cuts) so that Ministers can prepare public opinion for the move (but this delay would reduce the additional endurance).

It must be recognised that mass picketing could be widespread and violent (with an unpredictable effect on public opinion). The violence could well reach a point at which it is impossible for the police to clear a path for vehicles.

On this issue Ministers need to consider:

> Is the use of servicemen realistic? In what circumstances would it become politically possible? What would be the effect on public opinion? If vehicles could not get through, would this be seen as a defeat or could it be used to turn public opinion against the miners? And what would be the immediate and long-term effect on the miners?

(b) The aim of power cuts (which might start with organised voluntary reductions) would probably be to reduce consumption by around 15 per cent - the Department of Energy consider this the maximum without destroying normal living conditions.

What would be the effect of this on public opinion? Helpful, in showing the Government's determination and, possibly, justifying the use of servicemen; or harmful in increasing pressure on the Government to settle and in strengthening miners' resolve?

More directly, what would be the effect of this on industry and the economy? Can the breaking-point of industry's endurance with sustained rota cuts be more precisely determined? Would rota cuts starting at the beginning of winter with no prospect of spring easing the burden, plus the likelihood of Christmas being disrupted, mean that public opinion would have no stomach for facing hardship over miners' pay?

Is it therefore realistic to consider extending endurance substantially by the combined effects of the use of servicemen and of rota cuts?

MD

CONFIDENTIAL PEnC (82) 4

Brief for Second Reading of the Coal Industry Bill on Tuesday 2nd February 1982.

Contents

Conservative Research Department,
32 Smith Square,
Westminster,
SW1

KM/MM
29.1.82

CONFIDENTIAL

Brief for Second Reading of the Coal Industry Bill

The Second reading of this Bill provides a good opportunity in the aftermath of the miners' decision to accept the Coal Board's offer, to reaffirm the Conservative Party's commitment to the coal industry and take a look at the future of the Industry.

1. The Bill

This Bill increases the limit on borrowings by the National Coal Board to £4,500m which may be raised by order to £5000m. It extends the period during which the Secretary of State may pay grants under section 3 of the Coal Industry Act 1980 (grants to eliminate or reduce group deficit),and increases the limit on the aggregate amount of such grants, of grants paid under sections 2 and 3 of the Coal Industry Act 1977 (for promoting the sale of coal to Electricity Boards, and in connection with stocks of coal and coke), and of grants paid under section 8 of the Coal Industry Act 1973 (in respect of coking coal). The Bill also allows for minor adjustments to existing procedures for reimbursing the Board for the costs of benefits they pay to or in respect of redundant mineworkers. These adjustments are required in view of the improved terms introduced for those who become redundant on or after 11th March 1981; to accommodate them, the limits on grants and payments under section 6 and 7 of the Coal Industry Act 1977 (in connection with pit closures, and to or in respect of redundant mineworkers) are also being raised. The intention to bring forward new legislation on the coal industry was announced on 16th June 1981 when Mr. David Howell then Secretary of State for Energy announced an increase in the Board's external financing limit to £1117m.

2. Why the Bill is necessary

One of the industries which has suffered most from the recession is the coal industry. By autumn 1980 the effect of reduced demand by industry for coal and for electricity, faced the coal industry with a crisis of over production. The National Coal Board's response was to introduce a series of cost savings, and also to attempt to accelerate the rate of closure of older pits with poor productivity.

In February 1981, following strong union reaction to that attempt the Board agreed to withdraw the accelerated programme and to revert to normal consultative procedures when a closure was in prospect. The Government agreed to adjust the industry's cash limit to accommodate that change. In addition it agreed to meet the cost if the NCB through discussions with the electricity and steel industries, was able to reduce imports of coal by those two nationalised industries, "towards the irreducible minimum". The NCB put the cost of that help at between £100-£200 million. In view particularly of the very great improvements in productivity in the industry which augurs well for the future, the

Government was willing to offer this additional aid to coal during the recession.

While the Board was involved in negotiations with the steel and electricity industries, it was not possible to set a new cash limit for the current year. But in June it reported its success in negotiating a reduction in imports of 4 million tonnes this year. Accordingly on 16th June 1981 Mr. Howell, Secretary of State for Energy, told the House of Commons that the Government was to increase the coal industry's cash limit by £231 million to meet its undertakings on pit closures and imports, and to take some account of the impact of the recession on the Board's costs, for example in having to put more coal to stock.

The new cash limit is still a very tight constraint on the industry, obliging it to cut costs and to maximise its efficiency. The NCB accepted in the June tripartite discussions with the Government and the unions that essential investment under "Plan for Coal" could continue, but stressed that there would be no room for investment in doubtful projects. And as Mr. Howell told the House of Commons, the unions made it clear that they were not seeking a blank cheque from Government for investment in 'madcap' schemes.

Within the increased cash limit, Mr. Howell announced that the proportion accounted for by Government grant would increase. The Government had decided to raise the level of grant from the planned level of £250m to £550m for 1981-82. However, this change has no additional impact on the cost to the Exchequer. The difference between the increase in grant of £300m and the increased cash limit of £231m lies in a transfer of £69m within the cash limit from loans from other sources to grants.

Because increases of this size cannot be accommodated under the Coal Act 1980, Mr. Howell announced the Government's intention to bring forward new legislation to increase the existing statutory limit on the Board's borrowing and to allow for continuing grant support. As a first step, orders were laid before Parliament to raise the limits on the Board's total accumulated borrowings from £3400 million to £4200 million, and to increase the limit on grants payable to the Board from £525 million to £590m.

3. <u>The Government's Commitment to the Coal Industry</u>

The Government and the taxpayer has maintained a substantial political and financial commitment to the future of the coal industry. Most of the groundwork of 'Plan for Coal' was laid by the last Conservative Government and Conservatives supported and continue to support the objectives and financial implications of 'Plan for Coal'.

'Plan for Coal' was written in 1974 against a background of rising oil prices and the need to exploit and use our indigenous sources of energy more efficiently. Since then, the situation in the Middle East, in particular the Iranian revolution and the Iran/Iraq war has disrupted the West's oil supplies and served as a reminder to Western nations of the tremendous dangers of relying for security of energy supplies on a commodity produced in a particularly volatile part of the world. At the Venice summit of 1980, Western nations made a

commitment that over the next ten years, the link between economic growth and increased oil consumption must be broken, using measures which included investment in and exploitation of alternative sources of energy.

The Government's commitment to the coal industry therefore has become even stronger, and the need for a modern efficient industry all the more urgent.

4. Progress since 'Plan for Coal'

Taxpayers have fulfilled their side of the bargain under 'Plan for Coal'.

Government grants to the NCB have increased tenfold in five years, from £55m in 1976/77 to an estimated £550m in 1981/82. The 1981/82 grants are equivalent to

-over ½p on Income Tax

-nearly 1% of VAT

-over £35 per week for each NCB employee

Most of these grants are needed to cover the Industry's losses.

Investment

Successive Governments have backed the Industry in making nearly £3 billion of investment since the 'Plan for Coal' was put forward in 1974.

Trend in mining capital investment (£m)

(Outturn prices)	Major projects costing over £0.5m	Total capital expenditure
1973/4	7	68
1974/5	21	112
1975/6	53	211
1976/7	89	266
1977/8	130	334
1978/9	182	454
1979/80	252	617
1980/81	337	736
1981/82		805 (approved)

Productivity

Unfortunately, the projected improvements in productivity under 'Plan for Coal' and the expected rate of pit closures and investment in new capacity have not taken place since 1974. Despite the high level of investment in the industry, in 1980/81 productivity as measured in output per manshift was 2.30 tonnes, below the 2.33 tonnes recorded in 1972/3. 'Plan for Coal' budgeted for a 4% per annum improvement in productivity. 'Plan for Coal' foresaw the need to close old capacity at a rate of about 4 million tonnes per year to allow resources to be concentrated at the new and modernised low cost pits. Under the Labour Government in the period 1974-9, only 4 million tonnes were shed. The Industry's financial performance has been hampered by this.

Electricity Prices

Since productivity has remained roughly static throughout the past decade, real wage increases directly increased the NCB's operating costs. Despite the rising level of Government financial support for the industry, the increased operating costs have had to be financed by higher coal prices, which rose on average by 3½% faster than the rate of inflation throughout the 1970s. Since coal accounts for roughly 80% of fuel used in electricity generation, this also contributed to higher electricity prices. (An increase of 5% in coal prices means an increase of 2% in electricity tariffs). This means hardship for the domestic consumer and adds to the burden of costs faced by British Industry. As Joe Gormley said in an article in the 'Daily Express' on the 13th January 1982 "We should always have in mind the impact that increased prices for coal and energy have on the sick, the injured and pensioners, and the effect on other peoples' jobs".

Recent Improvements in Productivity

Since the Conservatives took office, despite the effects of the recession, productivity is now improving significantly. In 1981/82 it is running at 3-4% above the 1980/81 level, and the 1972/73 level should be exceeded for the first time. Routine closures of exhausted pits have been proceeding well. Absenteeism has fallen, and production has risen from 121.5 million tonnes in 1978-79 to 125 million tonnes in 1980-81. Coal prices have also moderated, and this winter's coal price increases were well below the rate of inflation for the first time in many years. (This meant a reduction in expected electricity tariffs for consumers in the first three months of this year).

5. The Future for the Coal Industry

Conservatives believe that a real commitment to the coal industry means not only a financial commitment by the Government, but also a sustained effort by the industry to cut its own costs and become more efficient and competitive. This is the only way to secure jobs in the industry in the long term and to protect the jobs of employees in other industries by keeping electricity and coal costs down.

If the momentum of improvement which is now taking place can be maintained, the coal industry has excellent prospects and many potential markets.

The Markets

The coal industry in the UK has a strong domestic base, it accounts for 37% of our primary fuel requirements (compared with 28% in West Germany 17% in France and 20% in the USA). Coal is the main fuel used in electricity generation. In October 1981, about 80% of our electricity was generated from coal, under 8% from oil. At base load (ie when demand is low) the percentage generated from oil is much lower. The Government is helping the coal industry by giving grants to industry for conversion to coal fired boilers. Coal is also used for steel blast furnacing, and domestic consumption.

In the future, when it becomes cost effective, coal will find a

market in petrochemical feedstocks, substitute natural gas and liquefied petroleum.

British coal has excellent potential export markets.These have only just begun to be exploited, with the NCB boosting coal exports this year to around 9m tonnes (1981/82) compared with 4m tonnes in 1980/81. Our major colleagues in the EEC, France, West Germany and Belgium are all budgeting on increasing coal use but have static or declining coal production, so they are all planning to increase their imports of coal. If costs are contained in the coal industry to be competitive with other coal exporters and with other fuels, we have an excellent chance of becoming a major supplier of coal to other countries in the EEC.

As Mr. Nigel Lawson said in a speech on the 11th January 1982

"It is my firm belief that the British Coal Industry has a golden future within its grasp. But it is not Government that will decide whether that challenge is met and the opportunity seized.

Only those in the industry itself, working together, can assure their industry's future, their jobs, the investment to improve their facilities, and their prosperity in the longer term. Nor is it simply their future which is at issue; for coal plays a vital role, either directly or through its impact on the price of electricity in the competitiveness of British Industry as a whole, and thus in the job security and well being of everyone.

There are few industries in Britain today with the potential and scope for improvement of the coal industry".

Nat fuel coal

File Sec

10 DOWNING STREET

From the Private Secretary

29 January, 1982

Dear John,

This is to confirm that the Prime Minister's meeting arranged for 1600 hours on Thursday, 4 February to discuss MISC 57 affairs has been postponed to Monday, 8 February at 1015.

I am copying this to John Halliday (Home Office), Julian West (Energy), Anthony Mayer (Transport), Barnaby Shaw (Employment), David Omand (Defence), Muir Russell (Scottish Office), Jonathan Spencer (Industry), Robert Wade-Gery, Robin Ibbs, John Hoskyns and John Vereker.

Yours sincerely,

Cassie Stephen

John Kerr, Esq.,
H.M. Treasury

Nat Ind Coal

CONFIDENTIAL

Prime Minister (2)
MS 28/1

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

CAD.

Rt Hon Sally Oppenheim MP
Minister of State for
Consumer Affairs
Department of Trade
1 Victoria Street
London SW1

26 January 1982

Dear Sally

REFERENCE OF THE NATIONAL COAL BOARD TO THE MONOPOLIES AND MERGERS COMMISSION

Now that the danger of a miners' strike is behind us, we can consider how to carry forward our intended reference of the National Coal Board to the Monopolies and Mergers Commission under s.11 of the Competition Act 1980.

We all agreed last Autumn that our public presentation should emphasise that the reference was a routine exercise devoted to establishing facts; any suggestion that it was of a punitive nature was to be avoided. I am sure that it is still essential to take the same line; it would be folly to give NUM militants an occasion to rally support against us.

We need to consider the timing of the announcement in that light. To avoid any suggestion that the reference is punitively intended, or has been held back because of the continuing negotiations, I am sure that we must allow a reasonable interval to elapse before any announcement. In my view this interval should not be less than three weeks, which would point to the week beginning 8 February, and preferably the second half of that week. I believe that you are considering announcing the MMC's programme of s.11 reference early in February. It would fit well if the reference of NCB could be included in that programme, in the normal way, and that announcement made in the timescale which I have suggested.

As for the formal reference, I gather that there is a choice between making it soon after the announcement of MMC's work programme, and deferring it until March, to allow a Water Reference to be completed first. This latter option would have been welcome, if we had been faced with a strike or if negotiations with the NUM were delicately balanced, but in the present circumstances, my preference would now be for the reference to be made at much the same time as the announcement. This timetable would enable us to get MMC's report

sooner, perhaps even just before the Summer holidays; it would also mean that the reference was no longer a separate presentational problem.

I hope that you can agree to these proposals. If not, perhaps we could discuss the question at E(NI) which I believe is due to discuss MMC's programme, and its announcement next week.

I am sending copies of this letter to those who received our earlier correspondence on this reference, to the other members of E(NI) and to Sir Robert Armstrong and Mr Ibbs.

Yours
John

JOHN MOORE

10 DOWNING STREET

Mr. Scholar.
Yes. (we have investigated carefully).
PRWh 1/2.

Mr Wade-Gery

Mr West's letter tonight of 27 Jan: withstanding a coal strike

Do you think this a satisfactory response to my letter of 15 January, please?

MCS 29/1

Mr Scholar
Thanks (this was mentioned at MISC 57)
N.1/2

Mr Vereker

To see and return pl

MCS 1/2

Nat Ind Coal X Ref

Cardowan Colliery (Accident)

3.30 pm

Mr. John Smith (Lanarkshire, North) *(by private notice)* asked the Secretary of State for Employment if he will make a statement on the accident at Cardowan colliery.

The Under-Secretary of State for Employment (Mr. David Waddington): It is with the greatest regret that I have to inform the House that there was an incident at the Cardowan colliery this morning, in which 25 miners were injured. I should like to express my deepest sympathy for the men concerned and their families, and I wish the men a speedy recovery.

The mine is about 7 miles outside Glasgow, and about 1,100 men are employed there. This morning at 9 o'clock an ignition of gas occurred on a long wall coal face in the Cloven Seam—the reference number is V52. The face was in production and equipped with a modern power loader and powered supports. The seam thickness is 0·94 metres—38 inches—with a sandstone roof and a hard floor. Flame appears to have passed along the face during production operations. The power loader was about three-quarters of the way along the face.

There are 25 casualties, seven of which are stretcher cases. All have been taken to hospitals in Glasgow, suffering from various degrees of burns. All the men in the district have been accounted for and the ventilation re-established, but all work in the colliery has been suspended while the investigation proceeds. Investigation is proceeding by all the interested parties—the NCB, the NUM, Her Majesty's Inspectors—and the incident section for research and laboratory services division, Safety in Mines Research Establishment, Sheffield is on its way to the pit. There is no indication of the cause of ignition as yet.

Mr. Smith: I am sure that the Minister will appreciate how grateful I am to him for making such a full statement to the House. Speaking as the constituency Member, and on behalf of my many hon. Friends who have constituents working in this colliery, I wish to express sympathy for those who have been severely injured in the accident, particularly the seven men who are apparently in intensive care in hospital, and wish them a full and speedy recovery.

I pay tribute to the miners of this and other collieries, who daily risk life and limb to extract coal for the nation. Does the Minister accept that the institution of early inquiries into the cause of the accident will be universally welcomed? Will the findings be made known after the facts have been established? Does he agree that if the need for more safety measures is revealed by the inquiry, such measures will be introduced with all possible speed, so that the colliery can be kept as safe as possible for those who work there?

Mr. Waddington: I thank the right hon. Gentleman for his expressions of sympathy, which I am sure will give comfort to the families. I join in his expression of appreciation for the dangerous and important work that is done by miners. The findings of the investigation will be made available, and I assure the right hon. Gentleman that if the investigation reveals that further safety measures are required, they will be put into effect with no delay.

Several Hon. Members *rose*——

Mr. Speaker: Order. I propose, exceptionally, to call the two hon. Members on the Government Benches and the four hon. Members on the Opposition Benches who have risen to their feet.

Mr. Alex Eadie (Midlothian): We join the Minister and my right hon. Friend in extending to the people who have been injured and the seven men who are in intensive care, and their wives and families, our hope and wish that they will make a speedy recovery. Does the Minister agree that the question and his statement are timely reminders of the hostile environment in which miners toil every day in the pits?

If the circumstances warrant it, and if the Secretary of State believes it appropriate, will the hon. and learned Gentleman return to the House and report any measures that are adopted, or the nature of any inquiry that is undertaken, because that pit has a history of being what we in the mining industry describe as a gassy pit?

Mr. Waddington: I am aware of the hon. Gentleman's knowledge of the mining industry and it is appropriate that he should have risen today and said what he has. He is right in saying that what has happened today is a timely reminder of the dangers of mining, but I remind the House that our mining industry has a proud record. It has the best safety record in the world, and I am told that the accident statistics for 1981 will reveal that there were fewer fatalities in the mining industry in 1981 than ever before. I shall consider the hon. Gentleman's suggestion that when a report is available I should make a further statement to the House.

Sir Hector Monro (Dumfries): All Conservative Members, and especially those who have mine workers in their constituencies, will wish to be associated with my hon. Friend's statement. Will he accept our wish that the injured recover speedily, and our thankfulness that there were no fatalities?

Mr. Waddington: There must be great consolation in the fact that there have been no fatalities. We can only hope that all those who have suffered injury will make a speedy recovery. I am grateful to my hon. Friend for his remarks.

Mr. Gregor MacKenzie (Rutherglen): As a Member who is privileged to represent many colliery workers, I join my right hon. Friend the Member for Lanarkshire, North (Mr. Smith) and the Under-Secretary of State in expressing sympathy and good wishes to the injured for a speedy recovery. To allay any distress that might be caused, can the Under-Secretary of State tell us whether the entire colliery will be closed; and if so, the payment position of those who are laid off?

Mr. Waddington: The colliery will be closed while the investigation is carried out and until the cause of the accident is clear and work can be restarted. The men who are laid off will be entitled to the usual benefit, although that is not my province. I know that the right hon. Gentleman's expressions of sympathy for those who have suffered injury will be greatly appreciated.

Mr. Tim Eggar (Enfield, North): I thank my hon. and learned Friend for a speedy and full statement and join in the expressions of sympathy made from both sides of the House for the miners and their families. Can my hon. Friend assure us that any lessons that are learnt from such

[Mr. Tim Eggar]

an appalling experience as this will be drawn to the attention of the National Coal Board and that all necessary safety measures will be installed in other pits?

Mr. Waddington: I give my hon. Friend that assurance.

Mr. Dennis Canavan (West Stirlingshire): As some of my constituents work at Cardowan and many more of the Cardowan miners are know to me personally, I join my right hon. Friend in extending sympathy to the injured men and their families. I hope that the victims of this tragic incident will make a speedy recovery.

What happened at this pit should be a timely reminder that, despite the great improvements in safety standards in the coal industry over the years, coal mining is still a dangerous, dirty and hazardous job. Conservative Members, who complain constantly that miners are overpaid, should go down pits such as Cardowan, as my right hon. Friend and I did, so that they can see the conditions for themselves. They would then agree with me that the miners are worth every penny that they can get.

Mr. Waddington: It is not appropriate now to make any political points. We are united in our expressions of sympathy and in recognising that mining remains a very dangerous job.

Mr. Dennis Skinner (Bolsover): Is the Under-Secretary of State aware that much concern has been shown by the National Union of Miners and other unions in the mining industry on the general question of the inspectorate? That was reflected in the parliamentary miners group putting down a question about the strength of the inspectorate in the coalfields. Many of us believe that it is below strength and that many additions must be made to bring it up to strength. I hope that the Under-Secretary of State will take the matter on board.

I associate myself with the remarks of my hon. Friend the Member for West Stirlingshire (Mr. Canavan). I remind the House that, despite the reasons put forward by the Minister for keeping it at a certain level, each miner who receives industrial injury benefit this year will lose £14 a week as a result of the Government's decision to stop earnings-related supplement.

Mr. Waddington: I shall deal only with the part of the question that relates to the inspectorate. There was an inspector at the pit when the accident occurred, although he had gone there for another reason. It is worth reminding the House that 11,980 inspections were carried out at coal mines in 1980. In the light of that figure it is difficult to say that there is not an adequate level of inspection. There are 95 mines and quarries inspectors in post. The Health and Safety Executive is trying to recruit additional inspectors up to a total of 102 in 1982. There is no question of its being prevented from carrying out that recruitment programme because of any expenditure restraints.

Foreign Affairs Council

3.47 pm

The Lord Privy Seal (Mr. Humphrey Atkins): With permission, Mr. Speaker, I shall make a statement on the progress of the discussions in the informal meetings of Foreign Ministers of the Community following the last European Council. I shall also make a statement on the Foreign Affairs Council that took place in Brussels yesterday.

On 25 January the Foreign Ministers had a lengthy discussion on the four key issues in the negotiations over the mandate that were remitted to them by the European Council. It was the third such discussion and I regret to say that it was not possible to reach agreement.

The main issue preventing agreement was the view of a number of other member States that the refunds to the United Kingdom should be arbitrarily and automatically reduced over time, regardless of the scale of the problem. We made it clear that we could not accept that. In the longer term we hope that the development of Community policies, including the reform of the common agricultural policy, will lead to a reduction in the size of our budget problem and we fully accept that, as that happens, our refunds should be reduced. What we cannot accept is a reduction totally unrelated to the underlying cause of our budgetary imbalance.

That was not the only difficulty. In addition, one or more of our partners had reserves on other aspects of the matters under discussion. For example, there was disagreement as to whether the duration of our budget refunds should be four or five years, with a review. There are also problems on agriculture where the formula proposed for controlling the milk surplus was very weak, and a number of countries, but not the United Kingdom, have reservations about the proposal that agricultural spending should grow less rapidly than the Community's resources.

It is disappointing that after so many rounds of negotiations we can still not reach agreement on the four key issues identified by the European Council, and therefore on the guidelines that were discussed there. But those are complex questions in which major national interests are involved and we never thought that it would be easy to find solutions that would enable each country to feel that it had a reasonable deal. I welcome the intentions of the President of the Council and the President of the Commission to try to find solutions to those problems. We hope they will be able to do so quickly.

To turn to the Foreign Affairs Council, it was decided to end further sales of food to Poland at specially subsidised prices and to use the funds originally earmarked for such sales for humanitarian aid, including food, through non-governmental organisations. There was a wide measure of support in Council for the proposal that the USSR should be upgraded from the "intermediate" to the "relatively rich" category in the OECD export credit concensus. The matter is to be considered further by the Committee of Permanent Representatives tomorrow, when I hope that it will be agreed that the Community should propose such an upgrading to its OECD partners. The Council also instructed permanent representatives in conjunction with the Commission to study the trade policy measures that the Community might take against Soviet

SECRET

cc AD
JV

30

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

Michael Scholar Esq
10 Downing Street
London SW1

27 January 1982

Dear Michael,

WITHSTANDING A COAL STRIKE

My Secretary of State has seen your letter of 15 January.

He does not believe that the arrangement to increase grants to NCB to offset losses resulting from the displacement of coal by NGLs at Peterhead will prejudice the objective of building up power station coal stocks.

Even with the exports and other additional sales envisaged, NCB's stocks of coal in Scotland are likely to rise to 2mt (i.e. about a quarter of annual coal burn in Scottish power stations) by the end of this year. In these circumstances, there seems no reason to doubt that ample coal will be available for an increase in SSEB power station stocks.

As for England and Wales, there is more than enough coal south of the Border to supply the CEGB with their normal 75mt of coal this year. The limiting factor on additional deliveries is likely to be the capacity of the transport system, rather than the availability of suitable coal. This capacity will be used most effectively if we build up stocks at CEGB power stations using the coal nearest to hand.

In the light of these points, my Secretary of State doubts whether it is necessary for MISC 57 to look further into this question.

I am sending copies of this letter to the other recipients of yours.

Yours ever,

J D WEST
Private Secretary

CC(82) 2nd 21.2.82 Item 4 CONFIDENTIAL

INDUSTRIAL AFFAIRS

Coal

Previous Reference: CC(82) 1st Conclusions, Minute 4

4. THE SECRETARY OF STATE FOR ENERGY said that the National Union of Mineworkers (NUM) had voted by a clear majority not to authorise industrial action in support of a higher wage claim than the increase of 9.3 per cent on basic rates which the National Coal Board (NCB) had offered. Only 45 per cent of those voting had been in favour of authorising industrial action. The result was a major setback for the NUM's President Elect, Mr Scargill. He proposed privately to convey the Government's congratulations to the NCB on their handling of their negotiations with the NUM and the public presentation of their case. Public comment by the Government should be confined to saying that the outcome appeared satisfactory both for the coal industry and for other members of the community who would have been adversely affected by industrial action.

The Cabinet -

1. Took note.

MR WHITMORE
MR SCHOLAR
MR VEREKER
DUTY CLERK

MINERS' PAY MEETING

At the Department of Energy's request I have postponed the above meeting to 0900 hrs on Friday, 22 January. This is because the result of the ballot will not be known until late on Thursday and Mr Lawson is meeting Derek Ezra at 1800 hrs.

The following will attend on Friday morning:-

Chancellor
Home Secretary
Secretary of State for Energy
Secretary of State for Transport
Secretary of State for Defence
Mr Hoskyns
Mr Vereker
Mr Wade-Gery
Mr Ibbs

Employment would like to send Michael Alison and I have agreed. Neither the Secretary of State for Industry nor the Secretary of State for Scotland can attend. They did not ask to be represented and I did not make the offer.

I implied to the Departments that if the news was good the meeting would not take place.

CS.

19 January, 1982

file

BK

29

shcc: J. Vereker
A. Duguid

10 DOWNING STREET

From the Private Secretary

18 January 1982

Miners' Pay

The Prime Minister was grateful for the Chancellor's minute of 15 January about the Negative Resolution Regulations which the Inland Revenue are due to lay shortly.

The Prime Minister is inclined not to advance the date for the strikers' measure. She has commented that the question is only one of timing not title, and that she does not think that the gains are sufficient to warrant the trouble. Subject to the views of the Chancellor's other colleagues, the way is clear, therefore, for you to have these Regulations laid on or before Tuesday 19 January.

I am sending a copy of this letter to John Halliday (Home Office), David Heyhoe (Lord President's Office), David Clark (Department of Health and Social Security), Barnaby Shaw (Department of Employment), Julian West (Department of Energy), Gerry Spence (CPRS) and to David Wright (Cabinet Office).

MS.

John Kerr, Esq.,
HM Treasury

SECRET

855

28

SECRET

10 DOWNING STREET

From the Private Secretary

15 January 1982

BF?

Dear Julian,

WITHSTANDING A COAL STRIKE

I understand that the Parliamentary Under Secretary of State in your Department (Mr. Moore) wrote to the Chief Secretary on 11 January about the National Coal Board's operating/deficit grant for 1982-83. One proposal which I believe was contained in that letter was that the NCB should be offered a grant of £20 million in 1982-83 to cover their losses in exporting 2 million tonnes of coal which the South of Scotland Electricity Board will not now be able to burn in its power stations.

As you know, the Government has been seeking to maximise power station coal stocks. At the Prime Minister's meeting on 17 December Ministers re-affirmed that strategy and agreed to maintain the current enhanced rate of deliveries to the power stations against the possibility of an early miners' strike. They also agreed to review at a later date exactly what level of increased power station coal stocks to aim for by November. I know the Prime Minister would therefore wish to be reassured that Mr. Moore's proposal is consistent with this strategy. Perhaps MISC 57 would look into this urgently as part of the further work which they already have in hand.

I am sending a copy of this letter to the Private Secretaries to the Chief Secretary and to the Secretaries of State for Wales and Scotland; and to Sir Robert Armstrong and Mr. Ibbs.

CS

Julian West, Esq.,
Department of Energy.

SECRET

27

SC AD JV

Ref: B06370

MR SCHOLAR

Withstanding a Miners' Strike

I attach a copy of a letter from Mr John Moore (Department of Energy) to the Chief Secretary, which was not copied to the Prime Minister. The point which concerns me is the passage sidelined in sub-paragraph (a). Mr Moore is proposing that because the South of Scotland Electricity Board will not be able to burn all the coal they had previously expected to take from the National Coal Board, the NCB should be encouraged to export the 2 million tonnes concerned (equivalent to one week's endurance) and the Government should pay them a grant of £20 million to cover their losses in doing so.

2. However sensible this might be in financial terms, it takes no account of Ministers' desire to maximise power station coal stocks both immediately and by next November. I imagine, therefore, that the Prime Minister might wish this to be reconsidered in that wider context. I attach the draft of a Private Secretary letter which you might send to the Department of Energy. Meanwhile, we have arranged with the Treasury that the Chief Secretary will not reply to Mr Moore.

R Wade

15th January 1982

" R L WADE-GERY

SECRET M type for my signature

DRAFT LETTER FOR MR SCHOLAR TO SEND TO MR WEST, DEPARTMENT OF ENERGY

Withstanding a Coal Strike

I understand that the Parliamentary Under Secretary of State in your Department (Mr Moore) wrote to the Chief Secretary on 11th January about the National Coal Board's operating/deficit grant for 1982-83. One proposal which I believe was contained in that letter was that the NCB should be offered a grant of £20 million in 1982-83 to cover their losses in exporting 2 million tonnes of coal which the South of Scotland Electricity Board will not now be able to burn in its power stations.

As you know, the Government has been seeking to maximise power station coal stocks. At the Prime Minister's meeting on 17th December Ministers re-affirmed that strategy and agreed to maintain the current enhanced rate of deliveries to the power stations against the possibility of an early miners' strike. They also agreed to review at a later date exactly what level of increased power station coal stocks to aim for by November. I ~~think~~ know the Prime Minister would therefore wish to be reassured that Mr Moore's proposal is consistent with this strategy. ~~It may be~~ Perhaps ~~If it would be helpful from your point of view~~ MISC 57 ~~could~~ would ~~could no doubt be asked to~~ look into this urgently as part of the further work which they already have in hand.

I am sending a copy of this letter to the Private Secretaries to the Chief Secretary and to the Secretaries of State for Wales and Scotland; and to Sir Robert Armstrong and Mr Ibbs.

SECRET

cc JV
AD

26

(1)

I am inclined NOT to advance the date. The question is only over timing, not title and the gains are sufficient to warrant the risk.

PRIME MINISTER

Prime Minister

Advancing the date to 1 Feb seems to be a high risk /high reward policy*.

Do you wish that to happen?

Would you like a quick meeting on Monday to discuss?

MCS 15/1

* it is the course favoured by the Policy Unit.
MCS

MINERS' PAY

There is a tax point which needs to be urgently considered in the context of our discussions on miners' pay. It concerns the availability of tax refunds to miners in the event of a strike.

2. In the present position, if the miners strike next month, they will be eligible for tax refunds weekly (assuming always that the payroll operators continue to work and are not themselves on strike). The level of refunds can vary, but on the assumption of average wages and regular working in the previous part of the tax year a married man would receive a refund of around £12.40 a week and a single man around £8.00. These refunds would continue weekly, as long as the strike lasted, up to the end of the tax year on 5 April 1982.

3. On present intentions, the position will change from 6 April next. The Inland Revenue are due very shortly to lay Negative Resolution Regulations which will have the effect of causing the employer to withhold tax refunds from strikers until a dispute is over. If a strike began during the next tax year, therefore, refunds would not be paid during the course of it. (Equally, if a strike began in this tax year but continued into next, no refunds would be payable from the start of the new tax year.)

4. The Government's decision to take this step has been presented in the context of the taxation of benefits paid to the unemployed. People claiming benefit while unemployed are to have their tax refunds withheld as part of the mechanics of taxing the benefit. The same mechanical argument does not in fact apply in the case of strikers, but we have said simply that we would not regard it as fair for strikers to be treated better (in relation to their tax refunds) than the majority of the unemployed.

Possible change

5. We could, I believe, advance the date for the strikers' measure to (say, for the purpose of argument) 1 February - though I am having the precise legal position checked. The April 6 starting date is well known and there would inevitably be considerable publicity given to a change of starting date. The effect of such a move would be to halt refunds during a strike until it was over - (even if it were prolonged into the next tax year). We should have to publicise the measure on strikers to let any employers affected know where they could get instructions about the procedures involved. There would not be a case for similar treatment of unemployment benefit claimants (indeed there would be major, probably insuperable, operational difficulties in arranging it).

6. The main considerations look to me to be -

a. A minority of strikers will get social security benefit and (for a technical reason) their financial position is not affected by the withholding of refunds. For the majority, however, we should be removing this financial support. (In the relatively closely-knit communities in which miners live, however, this will probably have rather less effect than it would do elsewhere.)

b. We shall have a major row in the House and no doubt outside it. When the relevant main legislation was debated in the Finance Bill it was attacked both in substance and on the fact that the detailed procedures were going to be in Negative Resolution subordinate legislation. If we were now to advance the start date to February, we would be taking the necessary powers without allowing the normal forty days to elapse between the laying of the Regulations and their operation.

c. Obviously a point to consider is whether such a move, if it was made before a strike, would be regarded by the miners as provocative and so increase the chances of a strike. And if it were made after the strike had begun, would it strengthen or weaken the miners' resolve?

7. We would also have to bear in mind the possibility of criticism from our own supporters when these regulations were laid (as they will have to be in February if we are to meet the 6 April introduction date) that we had "missed the boat."

8. These are difficult questions which you will want to consider. The Regulations were due to be laid on or before next Tuesday (19th), but I will hold them up until we have come to a decision.

9. I am copying this to the Home Secretary, the Lord President of the Council, the Secretaries of State for Social Services, Employment and Energy, Sir Robert Armstrong and Robin Ibbs.

Jim Rutter

PP (G.H.)

16 January 1982

Approved by the Chancellor and signed in his absence

Secret

✓ 25

(2)

Nat Ind

10 DOWNING STREET

Prime Minister

Miners' pay

I thought you'd like to know that Nigel Lawson's office tell me that the NUM will be meeting the NCB on Tuesday 26 January; that they still hope to know the non-Wales result during Monday 18 January; and that their preliminary intelligence (to which they would not wish to be held) is that the result is good.

MCS 15/1

STRICTLY CONFIDENTIAL

Prime Minister

(2)

We will, no doubt, hear many predictions of this kind.

cc Mr Vereker

MCS 15/1

MR SCHOLAR

I have spoken to my NCB contact whose information should be protected.

As a long standing expert, who is comparing previous votes with those known to have been cast this time, he does not believe that the NUM is capable of getting a 55% majority, on the basis of information he has at present.

Durham, now more militant, will split 50-50;

A major pit in Derbyshire (widely regarded as the touchstone coal field) has voted 52% to accept;

COHSE branches report 100% acceptance;

Leicestershire is expected to vote for acceptance nearer 80 than 70% (compared with 80% last time);

Notts expected to vote for acceptance by at least 60% (though 77% last time).

I shall be kept informed.

MT.

B. INGHAM

15 January 1982

STRICTLY CONFIDENTIAL

010

MCS
Seen
15/1/82

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

Michael Scholar Esq
Private Secretary
10 Downing Street
London SW1

15 January 1982

Dear Michael,

Cabinet yesterday decided that my Secretary of State's recent speech to the Coal Industry Society should be circulated to Ministers; I enclose a copy. He has also asked me to circulate copies of the special edition of 'Coal News' and of Mr Gormley's article in the 13 January edition of the Daily Express; I attach copies of both.

I am copying this letter to the Private Secretaries to all members of the Cabinet.

Yours sincerely,

Janet

JANET CHADWICK
Private Secretary

SPEECH BY MR NIGEL LAWSON, SECRETARY OF STATE FOR ENERGY, TO COAL INDUSTRY SOCIETY JANUARY 11, 1982

"You asked me to tell you how I see the coal industry, and I shall do my best to respond.

"To be precise, you originally asked my predecessor, since this invitation is of course of considerably longer standing than the four months that I have been in this job.

"But in practice I very much doubt if my view of the industry is in any way different from that of David Howell. Certainly I fully stand by the commitments he made to continuing Government support for the industry. These are not mere words.

"They represent, and are backed by, payments of hard cash on a massive scale.

"The Government subsidy to the coal industry during the current year - that is to say, the total of social grants, operating grants and deficit grants - will come out at some £550 million.

"This is ten times as much as only five years ago, under the previous government.

"It is the equivalent of a subsidy of about £5 for every tonne of deep-mined coal. Looked at another way, it works out at more than £35 a week for every member of the Coal Board's work force.

"These grants, in turn, account for only half of the Board's total external financing limit which, at more than £1,000 million for the year, is easily the highest for any nationalised industry.

"This support has been pitched at a level which will enable the Coal Board to sustain a vast programme of capital investment. Selby alone, which should be producing 10 million tonnes of low-cost coal a year before this decade is out, represents an investment of £1,000 million.

"There can surely be no dispute that these figures represent a massive commitment by the Government, and by the taxpayer, to the coal industry. Indeed, so great are the sums that I shall before long be needing to introduce new legislation to increase the statutory limits of the financial support - both in terms of grants and of loans - which the Board is permitted to receive.

"There is only one conceivable justification for financial support on this scale, when there are strict limits to what the nation can afford and when competing claims on resources are many and clamant.

"And that is the prospect of a coal industry playing a central role in the vitally important energy scene of tomorrow, extending existing markets and winning new ones, and standing on its own two feet to do so.

"Indefinite dependence on Government subsidies would be debilitating and ultimately unsustainable.

"The first task of all those who work in the industry must be to put it in a sound financial position where Government subsidies are no longer needed. A genuinely competitive coal industry, producing efficiently, at competitive prices, and with the assurance of secure supply, is what British industry and the British economy need. It is also the only basis for a strong and prosperous coal industry - for coal has no natural monopoly: it has to compete in the market place against other fuels.

"I believe that all those who work in the coal industry are increasingly coming to recognise, in particular, that the greatest service they can perform for industry, for employment, for the economy and ultimately for themselves is the provision of energy at the lowest possible cost.

"The prospect I have sketched out, the prospect of a strong, prosperous and genuinely competitive coal industry, is well within the industry's grasp to achieve. But there is still a long way to go.

"One measure of this is the fact that, even though we generate 80 per cent of our electricity from coal (compared with 66 per cent five years ago), and even though coal imports are now running at an irreducible minimum, despite this

coal stocks in December reached some 43 million tonnes, the highest level since the late '60s.

"Another measure is the scale of subsidy currently required to meet the industry's financial losses.

"To return the British Coal industry to viability will require continuing investment in new low-cost capacity to replace elderly, worn-out and high-cost capacity. It also requires improved efficiency and continued downward pressure on costs generally.

"Above all, the confidence of the customers must be maintained. If this is lost, a great deal of effort put into the industry in the recent past will be thrown away.

"Recent improvements in the industry's productivity are most encouraging, particularly since they follow a rather poor performance in the mid-seventies. It is essential that this is no flash in the pan but the start of a new and more hopeful trend.

"As for the relationship between investment in coal and the cost of coal, this works both ways. I have already mentioned the role of investment in reducing costs. But equally, if costs are not kept under firm control, coal will not win from oil and gas the share it is capable of winning of the industrial energy market of the future, which represents the major growth prospect for the industry over the next ten years. And if this should happen, the justification for capital expenditure in new capacity to meet that potential new demand must inevitably be called into question.

"In a few days from now the members of the National Union of Mineworkers will be voting on the pay offer the Coal Board has made to them. The pay negotiations which preceded this ballot have been entirely between the Board and the Union. But the relevance of the outcome to the future of the industry in the context in which I have been discussing it is surely clear.

"Nearly half the coal industry's operating costs are made up of wages, salaries and other labour costs.

"The level of these costs thus has a substantial and direct effect on the Board's ability to win new customers and to retain those it already has.

"In effect, the membership of the NUM will be voting about the kind of industry they wish to work in. They will have to consider whether they wish to work in an industry which is steadily building up its economic strength, expanding its markets and offering more job opportunities in the future.

"Or whether they wish to work in a stagnant or even declining industry, which is steadily pricing itself out of markets altogether, with all that that implies for the future of employment in the industry.

"It is my firm belief that the British coal industry has a golden future within its grasp. But it is not Government that will decide whether that challenge is met and that opportunity seized.

"Only those in the industry itself, working together, can assure their industry's future, their jobs, the investment to improve their facilities, and their prosperity in the long term. Nor is it simply their future which is at issue; for coal plays a vital role, either directly or through its impact on the price of electricity, in the competitiveness of British industry as a whole, and thus in the job security and well-being of everyone.

"There are few industries in Britain today with the potential and scope for improvement of the coal industry. What greater folly could there be than to put all this in jeopardy?"

Issued by Department of Energy
Thames House South
Millbank
London SW1

Tel 01-211 4545

A CRUCIAL PLEA ON THE EVE OF THE PIT BALLOT

MY MESSAGE TO THE MINERS

Think - before you destroy what we have built up

PICTURE: JOHN DOWNING

By JOE GORMLEY

OVER the last few years there has been a transformation in the mining industry.

We have brought coal out of the dark days of the 'sixties when too many people were ready and willing to consign the pits and miners to the industrial scrap-heap.

Now the members of my union are to vote this week on whether they are willing to strike to get a bigger pay offer—and I want to advise them to think very carefully before they cast their votes.

Far be it from me to urge them to go against the recommendation of the executive committee that they should turn down the offer on the table and authorise the industry first stoppage since 1974.

But I am bound to say that I would have voted to accept the offer if I'd had a vote and about a quarter of the executive committee did, in fact, do so.

Even though they were rightly furious at the mini-budget which will inevitably make life harder for miners and their families.

They had no doubts that rejection could lead to a bitter battle with a Government which has shown no sympathy for the workers or understanding of their worsening plight.

I am bound to say that I don't think the lads should have any illusions about where a vote for a strike could take them.

The Left-wingers are claiming that a big, clear majority will show the feeling in the coalfields and that, by demonstrating that we mean business, we will push the Coal Board and the Government into producing more money.

That has been their consistent line ever since the special conference in London last month which endorsed rejection of the offer.

They could be right. Nobody can be wrong all the time.

But I'm afraid I do not share their optimism.

I don't believe the Board has any more cash and I have no false hopes that Maggie Thatcher will cough up for us.

Let there be no mistake, if the lads want a strike, I shall lead them

And nobody should be in any doubt that we would fight to win.

I don't think somehow that my members would be too bothered about coming into conflict with Jim Prior's laws about picketing.

But I hope the lads will realise that even a victory would only produce a compromise at the end of the day.

There is no way that we are going to get the full amount we are claiming in one jump, however long we stay out and however justified we are in insisting that a £100-a-week minimum wage is reasonable.

So what would we settle for? I have not the faintest idea.

I have tried and tried to get my colleagues to tell me, but nobody has. I have never known a situation like it.

There's not much likelihood of a strike producing more than a few more quid in my judgment.

And I'm not too sure that a lot of miners will be too willing to give up earnings well in excess of £100 a week to strike for that little improvement.

As in our past exercises, there would be no strike pay, remember.

They should also remember that though they are now enshrined in the history of the Labour Movement for great victories in 1972 and 1974, they were achieved at a price that was paid by them and not some of those egging them into the front-line once more.

That price was great hardship for many miners' wives.

They were given a lift then by the fact that they had the public behind them and the whole trade union movement.

But they must ask themselves whether the same would be true now. I don't believe we could count on it.

There are not a lot of workers who have been offered as much as we have turned down this winter.

It's all very well people talking as if miners are all-powerful and that the Prime Minister will let us be an exception, but I have yet to see any evidence of it.

We should certainly not allow ourselves to get big-headed on the strength of the past.

Nor should we let ourselves be used by anybody as political shock troops to bring down the Government. Governments should be changed by the ballot box and not by industrial muscle.

The inevitable result of using strikes for political ends would be to weaken the trade union movement and turn the people of Britain against us.

It must not happen.

Nor, I believe, should we do anything which might jeopardise all the good we have done to build up the coal industry; not just for our own people and the mining communities but for the nation.

And I have to say that, by forcing the Coal Board to pay out money which it cannot afford, we would be doing just that.

Inevitably, the cash we force out of them would have to come from money earmarked for developing new areas, modernising existing pits, keeping prices competitive and protecting jobs.

Nobody should ignore the fact that we have been hit less hard anybody by the recession. But it will not last if we cannot sell our product in the market place.

We should also always have in mind the impact that increased prices for coal and energy have on the sick, the injured and the pensioners. And the effect on other people's jobs.

I have to admit that there is not a union in Britain that has done better since Maggie moved into Downing Street.

If the present offer was accepted it would mean that the pay of mineworkers would have been increased by more than 40-odd per cent in only 20 months.

The offer we are now voting on would give up to 10·5 per cent increase back-dated to November 1 —10 months after our last rise.

And that, in turn, came only 10 months after the previous increase.

As I said at the outset, we have fought these past few years to create a mining industry that is regarded as credible and necessary by the public.

It is for all these reasons that I am asking all miners and members of the NUM to think hard and make sure they do not destroy what we have built.

It is for them to decide — but I know how I would vote.

COAL NEWS

JANUARY 1982

WAGES SPECIAL

A letter to NCB mineworkers from the Chairman

THE FUTURE IS IN YOUR HANDS

IN a few days you will have the chance to vote on an issue of the greatest importance to you personally and to the future of our industry. Your Union, in proper democratic tradition, will be holding a ballot on the wage offer we have put to the National Executive Committee after many weeks of negotiations.

Full details of the offer appeared in a special issue of Coal News distributed before Christmas. They are repeated in the next two pages of this issue. The NUM are also trying to make sure that you are in possession of this information before you come to mark your cross on the ballot paper.

There are a few points I should like to put to you. I hope you will spare the time to think about them.

Soon, I shall be retiring from the Board after spending the whole of my working life in the industry, apart from war service. Before I became Chairman ten years ago I was involved in selling the industry's output.

I have spent 35 years fighting for coal. I have argued its case with governments, politicians and customers — overseas as well as in this country. That does not make me unique, of course. The coal industry depends on a fine team of people from the coalface to Hobart House.

Our skill as a mining enterprise is now recognised the world over. But, in the sixties most people wrote us off — they thought cheap oil would last for ever. We knew better.

When the price of oil quadrupled in 1973/74, we were ready. We quickly agreed our Plan for Coal with Government. We have kept to it ever since. We are steadily rebuilding the industry. We have planned further progress up to the year 2000 — and beyond.

The present recession might have weakened our position — as in so many other industries. But we fought back. We secured our markets at home, doubled them abroad; increased our productivity; held our costs. A remarkable achievement, in which all have shared.

We have worked hard for our success. The industry has invested money, skill and effort to improve its efficiency. We are now getting the pay-off.

All this could be jeopardised if we were to allow anything to interrupt our progress.

And that brings me back to wages. Because the industry's performance has continued to be good, we improved our offer during negotiations by including money that will come into the books from still further productivity rises in the next 12 months.

We have gone to the limit of what the industry can afford — and a bit beyond, banking on our ability to keep going ahead.

Let me explain what I mean when I say the industry cannot afford more. There is no more to be got from our customers. Our November price increases were below the level of inflation for the very good reason that to have charged more would have forced some of our customers out of business, while others would have gone elsewhere for their needs. In either case, we would have undone our marketing achievements, which in turn would have meant fewer jobs in coalmining.

The industry has to safeguard its future by investing large sums in sinking new mines and modernising existing pits. We have to set aside money for this every year, otherwise the industry would rapidly run downhill. Again, jobs would be at risk.

So our wage offer had to recognise these facts. Remember that we, as the Board, are responsible for the industry as a whole. We must see that present progress is maintained and future prospects secured — as well as ensuring that fair wages are paid.

I believe our offer is a fair one. It compares well with any in the present round of negotiations — especially as it is being made only ten months after the last increase. Above all, its acceptance will enable us to move forward in strength — holding our markets and building for the future.

Yours sincerely,

Derek Ezra

INSIDE Tables setting out grade rates offered to mineworkers, colliery workers and young miners, plus back pay and average weekly earnings.

MINEWORKERS' GRADE RATES

		What you get today	What you will get from November 1 1981*	
UNDERGROUND		PRESENT WEEKLY GRADE RATE	INCREASE	NEW WEEKLY GRADE RATE
		£	£	£
Grade	U1	111.95	9.60	121.55
	U2	101.80	8.70	110.50
	U3	98.00	8.40	106.40
	U4	94.80	8.25	103.05
	U5	93.35	7.95	101.30
	U6	91.75	7.85	99.60
	U7	90.20	7.75	97.95
Face Craftsmen				
	1	111.95	9.60	121.55
	2	98.00	8.40	106.40
	3	94.80	8.25	103.05
Elsewhere Underground Craftsmen				
	1	103.45	8.85	112.30
	2	96.35	8.50	104.85
	3	93.35	7.95	101.30
SURFACE				
Grade	S1	95.30	8.15	103.45
	S2	87.15	7.55	94.70
	S3	85.55	7.35	92.90
	S4	84.00	7.15	91.15
	S5	82.35	7.10	89.45
	S6	80.85	6.95	87.80
Craftsmen				
	1	94.10	8.05	102.15
	2	87.15	7.55	94.70
	3	84.00	7.15	91.15
Inspector Quality Control		95.30	8.15	103.45

*Payable from the beginning of the week in which November 2, 1981 falls

NCB offer to NUM

YOUNG MINERS' GRADE RATES

Age	INCREASE FROM NOVEMBER 1, 1981		NEW WEEKLY GRADE RATE FROM NOVEMBER 1, 1981*	
	Underground	Surface	Underground	Surface
17½	£5.70	£5.70	£68.55	£61.45
17	£5.30	£5.05	£65.35	£58.55
16½	£4.75	£4.45	£62.70	£56.20
16	£4.35	£3.90	£60.25	£54.00

*Young cokeworkers' new grade rates same as surface rates above

COKEWORKERS' GRADE RATES

		PRESENT WEEKLY GRADE RATE	INCREASE FROM NOVEMBER 1 1981	NEW WEEKLY GRADE RATE FROM NOV 1 1981*
		£	£	£
Craftsmen	1A	94.10	8.05	102.15
	1B	87.15	7.55	94.70
	2	84.00	7.15	91.15
Grade	1	87.15	7.55	94.70
	2	85.55	7.35	92.90
	3	84.00	7.15	91.15
	4	82.35	7.10	89.45
	5	80.85	6.95	87.80

Supplementary grade rates covered by the Schedule of Supplementary Job Descriptions

Craftsmen	1A/1A	95.30	8.05	103.35
	1B/1B	88.35	7.55	95.90
	2/2	85.20	7.15	92.35
Grade	1/1	88.35	7.55	95.90
	2/2	86.75	7.35	94.10
	3/3	85.20	7.15	92.35
	4/4	83.55	7.10	90.65
	5/5	82.05	6.95	89.00

* *Payable from the beginning of the week in which November 2, 1981 falls.*

EXAMPLES OF BACK PAY

IF the Board's offer is accepted in this month's ballot, arrangements will be made to pay out 12 weeks back pay — amounts varying between £103 and £185 — in February.

These amounts, back-dated to the new settlement date of November 1, vary by grade and length of service. They will be higher for those who work overtime.

The table gives examples of back pay (for the period up to January 22 1982) for those on the coalface and lowest underground and surface grades for different lengths of service, assuming all normal shifts are worked.

Board's offer	U1 grade £	U7 grade £	S6 grade £
Grade rate increase	115.20	93.00	83.40
Extra for:			
Over 2 years' service	20.00	20.00	20.00
Total	135.20	113.00	103.40
Over 5 years' service	30.00	30.00	30.00
Total	145.20	123.00	113.40
Over 15 years' service	50.00	50.00	50.00
Total	165.20	143.00	133.40
Over 25 years' service	70.00	70.00	70.00
Total	185.20	163.00	153.40

INCREASES IN AVERAGE WEEKLY EARNINGS

	U1 £	U7 £	S6 £	Yearly cost £m
Grade rate increase	9.60	7.75	6.95	93.86
Percentage increase	8.6%	8.6%	8.6%	
Service-related bonus				8.29
Extra for:				
*Over 2 years' service £20	0.44	0.44	0.44	
Total increase	10.04	8.19	7.39	
Percentage increase	9.0%	9.1%	9.1%	
*Over 5 years' service £30	0.67	0.67	0.67	
Total increase	10.27	8.42	7.62	
Percentage increase	9.2%	9.3%	9.4%	
*Over 15 years' service £50	1.11	1.11	1.11	
Total increase	10.71	8.86	8.06	
Percentage increase	9.6%	9.8%	10.0%	
*Over 25 years' service £70	1.56	1.56	1.56	
Total increase	11.16	9.31	8.51	
Percentage increase	10.0%	10.3%	10.5%	
			Total cost	102.15

The lump-sum bonus divided by the normal number of working weeks

IMPROVED OFFER IS BEST FOR ALL

ACCEPTANCE of the improved pay offer would achieve the National Coal Board's aim of continuing to pay good wages and to safeguard the future of the industry, says Board member for industrial relations Jimmy Cowan.

Meeting the increases offered would present the industry with great financial difficulty, said Mr Cowan, who led the Board's negotiating team. He stressed that no more money could be made available without damaging job prospects and the industry's future.

"During long negotiations we have been repeatedly urged to improve the offer and the Board have done this," said Mr Cowan. "I am convinced that it is a very fair offer and it is certainly the most the industry can afford. We have done our very best in negotiations and I hope the offer gets the full support it deserves in the ballot."

The Board's offer to mineworkers, totalling £102.15 million in a year — and coming only 10 months after the last increase — is based on estimates of income from the November 1 coal price increase already announced, and on past and future productivity increases, he said.

Taking into account wages charges and consequential improvements in pay and conditions for all other groups of employees, the cost for a full year would be over £171 million.

During negotiations the Board had studied again the scope for action on three ways of finding more money, said Mr Cowan. They looked at:

● PRICE INCREASES. Coal prices were recently increased by less than the rate of inflation in order to sell coal during the recession. The Board could not possibly get more money from price increases because any further rise now would reduce the size of markets and yield no more cash — possibly even less because it would put some customers out of business.

● COST REDUCTIONS. Cost-cutting could not be done at the expense of efficiency and safety. The substantial contribution from reduced manpower and higher productivity had already been taken into account. Without it the Board would have been able to offer virtually no pay increase at all, because of high investment for the future, rising costs and lower proceeds from coal sales because of price competition.

But they decided that, assuming recent productivity trends continued, they could add to their original wage offer. The extra £40 million which had been made available in this way had still to be achieved and would require the combined efforts and co-operation of everyone in the industry.

● INVESTMENT. The Board had already had to hold back some investment and any further cut-back would seriously impair the industry's ability to achieve the aims of Plan for Coal, jointly agreed by the Board and the trade unions, and lose jobs. The cuts already made had led to suppliers introducing short-time working and substantial redundancies at their factories.

Said Mr Cowan: "We have taken every possible account of the benefits of increased prices and savings from reduced manpower and rising productivity in calculating the sum which can be made available.

"We have also taken into account the effects of the recession. The vigilance of our purchasing staff has enabled price increases on our bought-in materials and supplies to be contained at about three per cent below general inflation.

"We have already taken into account all the potentially favourable factors and we still have about £11 million to find."

Mr Cowan said the industry's total costs were divided roughly equally between manpower and other costs, so about half of the benefit of the coal price increase would normally be expected to go to meet increases in wages and the other half for other increased costs. In fact the offer meant that over 65 per cent of the income from the November price increase was going to raise pay.

Overall the offer was equivalent to 9.33 per cent on grade rates and with the service-related holiday bonus spread over the normal number of working weeks it gave even higher increases for long service men — up to 10½ per cent.

He ended: "The Board have accepted the joint principles of paying good wages and safguarding the future of the industry. They believe that the increases offered would achieve those aims; but I would like to re-emphasise that meeting these increases will present the industry with very great difficulty. All these facts need to be taken seriously into account by everyone voting on this offer."

Price increase 'danger for sales'

MAJOR customers have warned of the danger to coal sales to them if prices rise further.

The biggest buyer is the Central Electricity Generating Board who have an understanding with the NCB to take a minimum of 75 million tonnes a year providing prices rise no higher than inflation.

Said a spokesman: "The CEGB believes that the joint understanding has operated greatly to the advantage of both industries. It has proved of assistance to the Coal Board in guaranteeing a market for coal from the CEGB well above what it would otherwise have been, given the way the demand for electricity has fallen.

"It has also proved of advantage to the CEGB through putting a ceiling on coal prices. The CEGB would be sorry to see the understanding overturned, but anything which serves to push up the price of coal beyond the level of the understanding would be bound to lead to its collapse.

"The Generating Board would then be forced to react by significantly reducing its take of coal from the NCB, with no doubt adverse consequences for the industry."

British Steel Corporation managing director, supplies and transport, Frank Holloway, said: "Coal is a significant element in the cost of making iron and steel, and the steel market — particularly in Europe — remains intensely competitive.

"Pressure on the costs of mining British coking coal, with its frequent difficult quality disadvantage, can only make it much more difficult for the NCB to compete against overseas supplies."

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FILE

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Voc J. Veneker
A. Duguid

10 DOWNING STREET

From the Private Secretary

15 January 1982

Miners' Pay

The Prime Minister has asked me to write to record her wish that Ministers and officials should take the greatest care to avoid giving any indication to the Coal Board about how the Government is reacting to the emerging NUM ballot results. She would also be grateful if your Secretary of State would ask the Coal Board to do their utmost to keep their own options fully open until Ministers have had an opportunity to consider the situation collectively.

I am sending a copy of this letter to Barnaby Shaw (Department of Employment).

M. C. SCHOLAR

Julian West, Esq.,
Department of Energy.

CONFIDENTIAL

CC(82) 1st 14/1/82 Item 4

National Coal Board

THE SECRETARY OF STATE FOR ENERGY said that members of the National Union of Mineworkers (NUM) would vote on 14 and 15 January in England and Scotland, and on 19 January in Wales, on whether to authorise strike action to bring about a wage settlement higher than the 9.3 per cent increase on basic rates which the National Coal Board (NCB) had already offered. The results of the ballot as a whole would probably be known on 20 January; information about voting in England and Scotland might become available before the Welsh ballot. The next steps in the dispute would depend on the result of the ballot. Strike action could only be authorised if at least 55 per cent of those voting supported it; if those in favour were between 50 and 55 per cent the position was less clear; a majority of more than 60 per cent would make a strike virtually unavoidable. The next step would be further talks between the NCB and the NUM, on or after 21 January, and the earliest date at which strike action was at all likely was the second week of February. The NCB were so far taking the line that they could not afford to increase their last pay offer, and felt it necessary to show that they were prepared to stand up to Mr Scargill, the NUM's President-elect. On the other hand, experience suggested that, once the miners were out on strike, it was difficult to get them back to work; it was doubtful whether the Trades Union Congress General Secretary would be able to prevent a strike from dragging on too long, as the NCB's Chairman, Sir Derek Ezra, hoped. The Government would need quickly to consider its attitude to the dispute when the results of the ballot were known. Meanwhile Ministers should avoid suggesting that the Government was a party to the dispute, which was between the NCB and the NUM, or that the NCB or the Government would be prepared to provide more money. Equally Ministers should avoid giving the impression that the NCB did not have the Government's support; he would make available to other Ministers, and as necessary to the media, his recent speech to the Coal Industry Society, which made the Government's attitude clear.

The Cabinet -

2. Took note.

Prime Minister

(1)

Shall I write as at X?

MCS 14/1

MR. SCHOLAR

Yes

We had a word this afternoon about the timing of the Ministerial meeting next week to discuss the miners' pay dispute. As you know, I have been discussing this also with the Cabinet Office and the Department of Energy. I understand that Mr. Lawson has told you that he is clear that there is no point in Ministers meeting before next Thursday, because no clear ballot result will be available until then. A meeting on Thursday also has the advantage of not conflicting with Robert Armstrong's and Robert Wade-Gery's engagement in Dublin on Wednesday.

But we cannot be sure that the ballot result will emerge in the form of a sudden clear-cut announcement on the Wednesday, after the vote in Wales on Tuesday. It is much more likely that it will leak out over the weekend and early next week - and indeed the news tapes are already carrying indications of the result so far in Yorkshire. So there is a considerable likelihood of discussions taking place next week, before Ministers have met, between the NCB and the NUM, and between Energy and the NCB. I am concerned that in this hiatus between the ballot result emerging, albeit only partially, and Ministers deciding on their strategy, a flavour of the Government's response may (perhaps unwittingly) be given by Energy to the NCB, and by the NCB to the NUM. We have always recognised it as a danger that events in the hours immediately following the ballot result would end up closing off some of the options available to the Government.

If the Prime Minister agrees, therefore, I think it would be appropriate for you to drop a line to Mr. Lawson's Private Office saying that the Prime Minister has taken his advice as to the timing of the Ministerial meeting, but on the clear understanding that Mr. Lawson and his officials will take great care to avoid giving any indication to the NCB of how the Government is reacting to the emerging ballot results; and that she would be grateful if Mr. Lawson would ask the NCB to do what they can to keep their own options open until Ministers have considered the situation collectively. A flavour of appeasement at that stage could wreck

X

/ both

both of the two broad alternatives available to Ministers, i.e. trying to negotiate a settlement, and withstanding a strike.

John Vereker

14 January 1982

Not find Coal

MR. HOSKYNS

cc Mr. Ingham
Mr. Duguid
Mr. Scholar
Mr. Beauman

Further Coverage of the Run-up to the Miners' Ballot

In my note to you of 11 January I reported that mass circulation newspaper coverage of the run-up to the miners' ballot was succeeding in creating the impression that the Government would not find more money to pay for a higher settlement. For the sake of completeness, I should report further coverage up to the eve of the ballot itself. The recent picture has been more mixed. There have been three main developments:

i) The Daily Mirror has still avoided direct editorial comment, but Geoffrey Goodman, the industrial editor, writing on Tuesday of this week, had a thoroughly unhelpful article. He said that Ministers "don't know how to handle the miners ... There is no firm Cabinet strategy on how to deal with the crisis"; and he concluded that the Government would not face up to the miners: "Too much is at stake to risk a fight ... I do see it (the Government) trying desperately to patch up a settlement".

ii) Joe Gormley has of course been persuaded to come out explicitly in favour of the offer, and his full page article, headed "Think Before You Destroy What We Have Built Up" appeared in the Daily Express on Wednesday. I doubt if that directly influenced many miners, but his Radio 4 interview yesterday was picked up by a number of other papers this morning, in a way which probably will have some influence.

iii) Our ploy with the rejection of the Civil Servants' claim has gone off like a damp squib. We achieved obsure references in the FT and the Guardian and the letter has as far as I can see been completely ignored by the popular dailies. As I recorded yesterday, that was only to be expected in view of the weasel-worded nature of the Treasury letter.

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It is important that all of us concerned with the miners' pay dispute remember that we should not stop our presentational effort just because the ballot has begun. This is for two reasons: first, the Welsh miners will not ballot until next week; and second, because media reaction to the outcome of the ballot, and subsequent tactics of the NUM and NCB, can still play an important part in the eventual outcome.

J. M. M. VEREKER

14 January 1982

SECRET & PERSONAL

SUBJECT

cc: HMT
MOD
D/T
ENERGY
EMP
Mr. Ibbs
CO

10 DOWNING STREET

From the Private Secretary

13 January 1982

Dear John,

RAILWAYMEN AND MINERS' PAY

The Prime Minister discussed railwaymen and miners' pay yesterday evening with the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Transport, Energy and Employment and Mr. Ibbs.

The Secretary of State for Transport gave a report on the latest position on ASLEF's industrial action. ASLEF were now firmly entrenched, and it was necessary to expect that they would repeat this week's action again next week. One option for the BR Board was to send home NUR and TSSA members who had no work to do while ASLEF members were on strike. This would involve breaking a five-day guaranteed working week agreement and might prove impractical. It would certainly prejudice the support which the NUR and TSSA had been giving to the Board's stance in the matter. The Board would not take this action without further consultation with the Government. In discussion it was argued that some means must be found to bring further pressure to bear on ASLEF members, and to protect BR's finances. There appeared to be a bias in the media insofar as more radio and TV time was given to the presentation of the unions' case than to the Board's. The Secretary of State was asked to report to Cabinet on Thursday on the latest position; and to his colleagues on how the dispute might be brought to an end. His Department should set up a systematic monitoring procedure so far as the media were concerned, so as to be able to make more effective representations about bias. They should also investigate the extent to which repayments of tax to striking ASLEF members minimised the financial disadvantages to them of their strike action. The time had now come for the Government to step up its own publicity effort, to bring home the reasonableness of the Board's case.

The Secretary of State for Energy said that the NCB's latest estimate was that slightly under 60% of the miners would vote for a strike if necessary and for a rejection of the Board's pay offer. The Board had had some success in getting over the strength of their case; and Mr. Gormley had agreed to come out in favour, in an article in the Daily Express, of the Board's offer. It would not be possible before the result of the ballot was known to estimate what the next move should be. The Board's

/ view

SECRET AND PERSONAL

It was thought that the majority for a strike vote of the NUM could be moved by an increased offer of between 1-2% might produce a settlement without a strike, and without destroying the Board's managerial credibility and its financial position. A larger offer than this could have very serious consequences for the Board's position and in particular for their negotiations in the next pay round. The Board considered it a virtual certainty that there would be a strike at some point in 1982 whether in, say, February, or, say, November. But they thought it most unlikely that there would be two strikes.

In discussion it was argued that the possibility of two strikes in 1982 could not be ruled out. The NUM might well be tempted, if a strike beginning in February produced the desired result, and given that coal stocks would be low by the end of the year, to try to achieve a repeat performance. The effect of the recent cold weather and of the ASLEF stoppages would be to reduce endurance both this winter and next (even on the assumption that the oil burn would be increased to the maximum extent immediately this week's ballot boxes were closed). Endurance could be extended significantly if the Services were used from the start to move coal from pithead stocks to power stations. This was an option which would require serious consideration, and it would be important at no stage to rule out the use of the Services. Stocks of ancilliaries at power stations broadly matched the level of coal stocks except for hydrogen and sulphuric acid stocks which, it was argued, could not be procured safely in advance; there appeared, however, to be no problem about securing these supplies rapidly if necessary. The use of rota cuts in order to extend endurance was of doubtful attraction, given the modest extra endurance secured by the introduction of rota cuts even from the very beginning of the industrial action. If it proved necessary to increase the offer to secure a settlement it would be necessary to bring home to the mining industry and to the nation that the additional cost of the settlement would have to be met either through a reduction in coal investment (and thus in jobs in the mining industry), or in higher electricity prices (and thus in fewer jobs in the economy at large).

Summing up, the Prime Minister said that no decisions were needed at present. The Secretary of State for Energy should bring to a conclusion as soon as possible the work his Department were doing both on increasing the use of oil burn to the maximum extent possible and on ensuring that the stock of ancilliaries at power stations matched their coal stocks. He should also report on the scope for rapidly increasing coal imports if a strike were to be called. As a possibility for the future, he should also investigate the possibility of introducing gas fired turbines at power stations on a substantial scale as rapidly as possible. Consideration should also be given to the possibility of reactivating th pit closure programme in the event of an expensive settlement of the present pay claim. There would be a further meeting of Ministers as soon as the result of the ballot was known.

/ I am sending

I am sending copies of this letter to John Kerr (H.M. Treasury), Donald Command (Ministry of Defence), Anthony Mayer (Department of Trade and Industry), Julian West (Department of Energy), Barnaby Shaw (Department of Employment), Gerry Spence (Mr. Ibbs' Office) and David Wright (Cabinet Office).

I would be grateful if you and the other recipients of this letter would ensure that it is given the most limited possible distribution.

Yours sincerely,

Michael Scholar

John Halliday, Esq.,
Home Office.

overtaken
MCS 14/1

MR. SCHOLAR

cc Mr. Hoskyns
Mr. Duguid

Miners' Pay

After yesterday's meeting, the Chancellor had a word with Robin Ibbs, John Hoskyns, Robert Wade-Gery and myself and suggested that Ministers really ought to have in front of them when they next discussed miners' pay some papers clarifying the decisions which had to be made. I have since had meetings with Robert Wade-Gery and Robin Ibbs, and the Prime Minister may wish to know what further work is being done centrally to prepare both the operational decisions and the strategic issues for Ministers, in the event that they have to meet next Wed~~nes~~day in the aftermath of a miners' ballot authorising a strike. (This is of course in addition to the work to be undertaken by the Department of Energy, as recorded in your letter about yesterday's discussion, covering oil burn, ancillaries, imports, pit closures and gas turbines.)

Thursday now MCS

We have agreed that Ministers need to be provided with two separate papers:

i) Robert Wade-Gery, after consulting MISC 57, will produce a factually based paper listing the points for decision and the operational consequences of those decisions. There are in practice three easy decisions and two difficult ones. The three easy ones are maximizing oil burn, maximizing gas burn, and maximizing imports (including stopping exports); the harder decisions are whether and if so when to use the servicemen to shift pit-head coal stocks, and whether and if so when to introduce demand restrictions.

ii) The CPRS will produce a paper on the strategic issues, based - as Robin Ibbs reminded the meeting yesterday - on the principle that the decisions chosen must depend on the objectives Ministers are pursuing. This paper will cover the differences between the NCB's and the Government's objectives; the differences between the Government's wider pay policy objectives and our objectives vis-a-vis Scargill and the NUM; the connection between industrial action in the spring and industrial action in the autumn; and the prospects

/for

for being able to present a significantly increased offer as anything other than a humiliating climb down for the Government.

In addition to this work, two other levels of co-ordination will be brought into play. Robert Armstrong is calling together a group of Permanent Secretaries, either late this week or early next week, to go over the ground on the decisions that have to be taken; and the CCU, which is a wide-ranging and low level forum, will be activated if a strike is imminent in order to provide a link between the strategic policy decisions and the more localised effects of the dispute.

The Policy Unit believes that there is force in the Chancellor's point that the difficult decisions Ministers have to take in handling a miners' pay dispute, and the complicated ramifications, are hard to reach without a very clear exposition before them. We think it would be helpful if the issues and the required decisions are presented to Ministers orally at next Wednesday's meeting. Both Robert Wade-Gery and Robin Ibbs have indicated to me that they would, for instance, be prepared to speak to their respective papers, after Mr. Lawson has made his introductory remarks. Would the Prime Minister be content for them to do so?

13 January 1982

CONFIDENTIAL

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

Rt Hon Leon Brittan QC MP
Chief Secretary of the Treasury
The Treasury
Parliament Street
London SW1P 3AG

11 January 1982

Dear Leon,

NCB OPERATING/DEFICIT GRANTS: 1982/83

Your letter of 2 October to Nigel Lawson suggested that our officials should agree the level of coal grants consistent with the EFL of £1026m.

Our officials have considered this, in the context of the NCB's financial framework for 1982/83, and of the Coal Industry Bill, and have agreed provisionally that the total amount of NCB's operating and deficit grants for 1982/83 should be some £377 m, of which Deficit Grant represents some £359 m.

This takes account of two specific and identified factors which will increase the Board's revenue loss in 1982/83, but which were not reflected in the Board's initial Development Plan figures:-

(a) Peterhead NGLs

NGL's from Brent will be burned at Peterhead power station until the Mossmorran petrochemical plant is ready to take them, displacing in 1982/83 about 2.0 mt of NCB coal which would have been burned by SSEB. NCB did not take account, in their financial forecasts, of the £10/t loss which will result from their exporting the coal, which is the only alternative means of disposal, and preferable to stocking. Unless NCB receive additional Deficit Grant to cover this loss, they will increase prices to SSEB on their remaining tonnage. (NCB could, of course, reduce their price to SSEB to make it more attractive to burn coal than Brent NGLs, but I assume that, for wider policy reasons, we should not want the NGLs to be wasted). The Board will need additional deficit grant payments of up to £20 m. I am confident that there is no prospect of their achieving a further offsetting saving beyond the very substantial ones we have already sought. Their EFL ought in principle to be raised by the same amount, but I will not press for an increase on this account in the 1982/83 EFL.

(b) Lower Revenues

In the final stages of setting the Board's EFL, the Board told us that they forecast sales revenue £22 m lower than in previous figures. We accepted their case, but rather than increase the EFL, agreed that they could make up to £26 m sales of coal to commodity investors. Such sales,

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however, far from offsetting the Board's expected £22 m revenue losses, could well increase their deficit. Your officials agreed, therefore, that it would be reasonable to provide for the £22 m reduction in expected internal resources when setting deficit grant.

The provisionally agreed grant level of some £377 m for 1982/83 does not take account of certain factors which could increase the Board's 1982/83 grant needs:-

(i) accelerated deliveries to the CEGB;

(ii) compensation for reducing coal imports: the CEGB have estimated that the cost of import displacement in 1982/83 could be much the same as the cost in 1981/82, ie about £18 m. NCB provided, in their calculations, for the cost of alignment on imported coal prices, but not for other costs, including for example the cost to CEGB of transporting coal to stock. The CEGB also say that there may be carry-over costs in 1982/83 in respect of import reduction in 1981/82;

(iii) Industrial Electricity Prices

You agreed that it would be necessary to increase the EFL if we introduce a scheme via the coal route.

(iv) Foundry Coke Prices

The present £10 m support which enabled NCB to discount the price of coal to foundry coke producers by £7/t, is for 1981/82 only.

I should be grateful for your agreement that operating and deficit grant payments of some £377 m within the NCB's EFL of £1026 m would be appropriate for 1982/83, on the basis of current policy decisions. I suggest that our officials should discuss how the precise grant payment in respect of Peterhead ngls should be monitored.

I am copying this letter to the Secretaries of State for Wales and Scotland, Sir Robert Armstrong and Robin Ibbs.

Yours ever

John

JOHN MOORE

Nat Ind Coal

MR. HOSKYNS

cc Mr. Ingham
Mr. Duguid
Mr. Scholar
Mr. Beauman

Mass Circulation Newspaper Coverage of the Run-up to the Miners' Ballot

We set as our objective for the first stage of the publicity effort on the miners' pay dispute the task of persuading the miners that a vote against the pay offer was not a soft option, which would automatically result in a higher pay offer. We were advised that the media on the whole expected the Government to climb down, as it did last February, and the Prime Minister endorsed a strategy of our avoiding the impression that the Government is prepared to find more money to pay for a higher settlement. You and others may find it useful to have this summary of how we are doing so far, based on a look at the kind of papers miners probably read (ie excluding, rather patronisingly, all the qualities).

Sunday's papers were particularly helpful. The News of the World (4 million) contained a good story on page 2, leading with the statement that the Coal Board would stand firm on its pay offer, strike or no strike: "Government Ministers made it clear that not a penny more of taxpayers' money would go to subsidise an increase over 9.5% ... The Government has made it clear to Coal Board Chairman Sir Derek Ezra that it will not intervene if a strike is called. And it has stressed that, just because the Government gave in to the miners early last year, it should not be assumed they will be a soft touch this time". (Government Ministers have, of course, made no such thing clear to Sir Derek Ezra, and nor have we said so in background briefing: but journalists are tending to write up the sense of determination that Government spokesmen have been giving behind the scenes.)

Woodrow Wyatt, writing in the centre of the Sunday Mirror (3.7 million) says "I don't believe the miners want a strike ... A strike would lose them money and delay back-pay ... including

/the

the present offer, the miners will have had two increases in the last 10 months and three in the last 20 months. The present offer keeps them ahead of inflation compared with their position in 1979 ... Surely it is not worth risking a strike to get a little more now?".

The Sunday Express (3 million) had an article at the top of the front page leading "Savage pit closures and the loss of up to 40,000 miners' jobs would follow any climb down by the NCB". And continuing "Government Ministers have sternly told Sir Derek Ezra that no extra money whatever will be provided ... The Government is preparing ... to import cheap coal". As far as I can see there is no truth whatsoever in this article, but it is quite useful all the same.

The Sunday People (3.7 million) is silent.

There are only two articles in today's popular papers, but again they are both helpful. The Sun (3.6 million) has a leading article saying that the miners have had a fair offer, and are not being unjustly treated. "The Board's offer will keep them at the top of the pay league", and the NCB and the Government "should show the miners that accepting the present offer is the best thing for them".

The Daily Mail (2 million) has a story on page 2 which leads "The Government is ready to take on both the miners and the train drivers in a double duel over pay ... The Government has decided to come out fighting because it believes to give way to either powerful group would shatter its remaining credibility. The humiliating climb-down last February in the face of a strike threat over pit closures is still fresh in the mind of Mrs. Thatcher".

Nigel Lawson is making a speech today at the Coal Board lunch: we have not yet received the text, but he will be talking about the general state of the industry, and letting the pay message come out implicitly.

/So far

So far, therefore, things are going all right: but the test is whether all this actually has any effect on the ballot.

J. M. M. VEREKER

11 January 1982

10 DOWNING STREET

Prime Minister

Nigel Lawson undertook at the last MLSC 57 meeting to look urgently into (i) whether we should be conserving coal now by increasing oil-burn

(ii) how to increase stocks of ancilliary materials at power stations

— both against the possibility of a Jan / Feb strike.

That was on 17 December. Energy have been unable - despite much prompting from here - to produce any report on these points for your meeting tomorrow. I suspect that they have done little or nothing.

MCS 11/1

Cc AD
JV

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Prime Minister

MCL 11/1

SECRET

Qa 05771

11 January 1982

To: MR SCHOLAR

From: J R IBBS

Miners Pay

1. The CPRS was involved in discussions leading to the Secretary of State for Energy's paper "A Miners' Strike" but did not participate in its final preparation. Like the Policy Unit (whose paper dated 8 January I have seen) I do not dissent from the Secretary of State's conclusions so far as they go.

2. The paper makes it clear that if at the ballot a majority support 'strike action if necessary', the NCB and the Government will be left with a very nasty choice:

- either to allow a strike to occur and aim to settle it within the limited power station endurance available (this endurance is now presented as being significantly less than when Ministers last considered it);

- or to settle by negotiation at whatever level proves necessary to avoid a strike.

The information available on which to take the difficult decision seems very suspect. John Hoskyns rightly draws attention to the way in which assessments so far have been wrong or contradicted. It is hard to put much reliance on the NCB's current assessment that about 12 per cent on base rates will be enough to secure a negotiated settlement. Alternatively, there is no good reason for believing their preliminary view that 15 per cent would necessarily suffice to end a strike (the Secretary of State has already asked for a further assessment of this). In neither case is there any evidence or argument at

present as to how a settlement should be presented so as to do minimum damage to

- prospects for the 1981/82 pay round
- the long term NCB/NUM balance of power, and hence future pay rounds
- the economy overall and general political authority.

3. The immediate danger is that Ministers will be faced on 20 January with a majority of miners having voted in favour of 'strike action if necessary' and with little more information than now on which to weigh up the alternatives, other than precise knowledge of how the voting went. I suggest that during the next week as much information and clarity as possible needs to be built up on the following points:

(a) in relation to settlement without a strike:

- How would the NCB be persuaded discreetly to negotiate?
- How should the negotiations be conducted to get the lowest settlement and the best outcome for this and future wage rounds?

(b) in relation to settlement after a strike:

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- How would a strike be terminated; what would be the likely terms and how long would it probably take to reach them; how great a risk would there be of the strike persisting so that virtually the entire claim would have to be conceded in the final stages of power station endurance? (An accurate up to date assessment of this endurance is obviously needed).

For each alternative the following also need to be assessed:

- What should the Government's posture be during the strike/negotiations?
- How would the settlement be presented so as to do least harm to pay levels, the economy and general political authority?

Would it be possible to put a ring fence round the mines and other key utilities?

- How would the money for the settlement be provided? Entirely from coal industry investment or in part from an increased EFL? - what would be the likely effect on the NCB's P and L account, grant requirement and cash position?

- What would be the likely effect on prices, the PSBR, and private industry costs?

4. The above are very difficult questions and definitive answers to some are, of course, impossible. It is worth doing as much preparation as possible but in the end it will still be a matter of judgement in the midst of major imponderables.

5. I am sending a copy of this minute to Sir Robert Armstrong.

JR

1 5 32

CONFIDENTIAL

Notified cabinet

cc SU
AD

Prime Minister

(2)

cc BI MLS 8/1

01 211 6402

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

8 January 1982

Dear Chancellor

MINEWORKERS PAY NEGOTIATIONS

John Moore wrote to you on 10 December about the outcome of the meeting of the NUM Executive on that day. As you know, the Special Delegate Conference held on 18 December overwhelmingly agreed to a resolution recommending the rank and file to authorise strike action "if necessary" to bring about an improved offer.

This letter is concerned with the Government's publicity stance during the run in to the ballot which is to be held on 14 and 15 January. Officials from the departments concerned have discussed this and I agree with their recommendation that, during the period up to the ballot, our publicity stance should be based on the following principles:-

1. Ministers should keep in the background for the moment at least; it may be appropriate nearer the ballot for a Ministerial voice to be heard making carefully considered points but a campaign of Ministerial speeches or attributable briefing would play into the hands of those who want to portray the negotiations as a confrontation with the Government.

2. We should avoid any impression that the Government is prepared to find more money to pay for a higher settlement for the miners as a "special case".

3. We should decline to be drawn into speculating now on what the Government might do if the ballot goes against the NCB offer. The negotiations are between the NCB and the NUM and it is for the NCB to publicise their offer and for them to react initially to the ballot when the outcome is known. (We shall, of course, remain in close covert touch with the NCB and officials are already considering the various post-ballot scenarios).

4. Unattributably, Departmental information officers will be briefing to ensure a full understanding of the offer, that the miners have no grievance, the extent of the Government's support for the industry, and its promising future if it does not price itself out of markets by excessive increases in the pay bill.

Briefing material for unattributable use in this way has been prepared and I attach a copy for your information.

Officials are in touch with the NCB's information people who have devised an extensive programme of publicity and advertising aimed at influencing the outcome of the ballot by direct communications with the rank and file.

Should there be any significant developments between now and the ballot, I shall, of course, be keeping colleagues informed.

I am copying this letter to the Prime Minister, the Home Secretary, the Secretaries of State for Industry, Employment, Scotland and Wales, the Lord President and Sir Robert Armstrong and Mr Ibbs.

Yours sincerely

David Hunley

pp NIGEL LAWSON

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

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POINTS FOR INFORMATION OFFICERS TO MAKE IN NON-ATTRIBUTABLE BRIEFING

Miners' wages

NCB's figures show that in April 1981 average earnings were:

- nearly £158 per week for men at coalface
- over £129 per week for surface workers
- an average of over £143 per week for all mineworkers.

Only about 14 per cent of mineworkers average less than £100 per week. Over 10 per cent average more than £200 per week.

Mineworkers also receive substantial benefits in kind, in particular concessionary coal. The average value of these benefits is around £10 per week, much of it tax-free.

The Department of Employment's latest New Earnings Survey shows that in April 1981 mineworkers' earnings were nearly 23% greater than those of men in manufacturing industry generally.

[IF NECESSARY:

In the German Federal Republic, the latest available data shows that mineworkers' earnings are about 11% greater than those in manufacturing industry generally. Productivity in German mines is higher than in the UK.]

The NCB Offer

We understand this is equivalent to 9.3% on basic rates. This seems a high figure compared with the settlements recently accepted by BL workers (around 5%); engineering workers (5.1%); tanker drivers (8.1%); Vauxhall motors (around 5%); clothing industry (5%).

Government support for the coal industry

Government grants to the NCB have increased tenfold in five years - from £55 million in 1976/77 to an estimated £550 million in 1981/82. By far the largest part of the 1981/82 grants is needed to cover the industry's losses. The 1981/82 grants are equivalent to

- over ½p on Income Tax
- nearly 1% on VAT
- over £35 per week for each NCB employee.

Demand for coal

Despite actions to maximise UK coal use:

- maximum use of coal in electricity generation; in October some 80% of our electricity was generated from coal, under 8% from oil
- Government support for conversions to coal in industry
- action to reduce imports towards the irreducible minimum (1981/82 imports expected at 4 million tonnes, compared to over 7 million tonnes in 1980/81)
- NCB success in boosting coal exports to around 9 million tonnes in 1981/82 compared to 4 million tonnes in 1980/81.

in mid-December coal stocks were over 5 million tonnes higher than at this time last year, and amounted in total to some 43 million tonnes.

Manpower and Productivity

Successive Governments have backed the industry in making nearly £3 billion of investment since the 'Plan for Coal' was put forward in 1973.

Despite this, in 1980/81 productivity, as measured by output per manshift, was 2.32 tonnes, below the 2.33 tonnes recorded in 1972/73.

In 1981/82 productivity is running 3-4% above the 1980/81 level and the 1972/73 level should be exceeded, for the first time. This will be reflected in higher earnings under the incentive scheme.

The present Government has made substantial improvements in the taxpayer-financed miners' redundancy scheme, which is now amongst the most generous of any industry.

Since productivity remained roughly static throughout the past decade, real wage increases directly increased the NCB's operating costs. Despite the rising level of Government financial support for the industry, the increased operating costs have had to be financed by higher coal prices, which rose on average at 3½% faster than the rate of inflation throughout the 1970s. Since coal accounts for roughly 80% of fuel used in electricity generation, this has also contributed to higher electricity prices.

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Prime Minister

MCS 8/1

PRIME MINISTER

COPY NO. 1 OF 8

A MINERS' STRIKE

Introduction

We need to give preliminary consideration now to what approach the Government should adopt in the event of the miners voting on 14/15 January to reject the NCB's offer and accepting the recommendation of the NUM in favour of taking strike action, if necessary. This paper has been discussed with the No.10 Policy Unit and the Central Policy Review Staff (CPRS) in draft, although there has not been time to agree a final text with them.

Prospects for a strike

2. The NCB are taking determined action to bring home to their workforce the generous nature of their offer. (Details are at Annex A). They are also taking steps to contradict the NUM's claim that, if the ballot goes against the Board, there will not be a strike as the Board will then be ready to increase their offer in order to avoid one. Such a belief only encourages miners to support the NUM's recommendation and thus increases the chances of there being a strike.

3. In the run-up to the ballot it is important that the Government should continue to maintain a low profile and to take the line that the negotiations are between the Board and the NUM. We too must avoid giving any impression that an adverse vote will result in an increased offer.

4. The Board's assessment at the moment is that probably some 60% of miners will vote for the Union's recommendation, compared with the 55% required to authorise strike action. But the

situation could change. Now that the men have returned to work after the holidays members of the NUM Executive led by Mr Scargill will try to whip up support for the NUM's recommendation. The Board will let me have a further assessment early next week, which I shall report on at your meeting on 12 January.

Timetable

5. The result of the ballot on 14/15 January is likely to be available Monday, 18 January, or Tuesday, 19 January. The NUM's National Executive Committee will consider it on Thursday, 21 January. If less than 50% of the membership support the Executive's recommendation to reject the Board's offer, the Executive will have little choice but to accept the offer. There could, however, be difficulties if the vote for the recommendation is between 50% and the 55% required to permit strike action. (See Annex B). If the recommendation is endorsed by a 55% majority the NUM are likely to seek early talks with the Board.

The attitude of the Board

6. Sir Derek Ezra has told me that the Board believes that, if their offer is rejected, they must stand firm. If approached by the NUM they would consequently propose to take the line that, while they are prepared to talk, there is no more money available. Their reasons for taking this stand are:-

(a) The Board attach great importance to making it clear to Mr Scargill, even before he takes over from Mr Gormley as President, that the threat of strike action during pay negotiations just does not pay. Their reaction in the first confrontation with Mr Scargill will set the pattern for the future. If the Board make a substantially increased offer soon after rejection in order to avoid strike action, they are convinced that they will be faced with even more unacceptable pay demands in November, by which time Mr Scargill will have had time to make all his dispositions, and in subsequent years.

(b) The NCB are convinced that the NUM could not be bought off with a token increase, unless the majority is very small and support for the strike comes predominantly from the extreme areas, eg South Wales, Yorkshire, Kent and Scotland. In order to prevent a strike the Board believe they would have to offer about 12% on base rates compared with the present offer which is the equivalent of 9.3% on base rates. The Board are unwilling to pay such a price.

(c) The Board's negotiators have repeatedly said they have no more money to offer. This is indeed the case if they are to avoid damaging their markets and long-term investment plans. (We have, of course, encouraged the Board to seek the lowest possible settlement). The Board believe that their credibility in future negotiations would be destroyed if they were to offer substantially more in face of a threat of strike action.

7. The Board recognise that such a stance is likely to lead to strike action unless the vote is very close and strike action is only supported by the extreme coalfields. This could begin as early as 1 February, as they believe the NUM will not be prepared to delay strike action if substantially more money is not made available. But they see no alternative.

8. The NCB believe a strike might last 3-6 weeks. They would expect the TUC to start trying to mediate at an early stage, perhaps even before a strike starts. Alternatively, if the strike is prolonged, both sides might ask the Government to appoint an Arbitrator - ACAS is unlikely to be acceptable.

9. In the event of a strike, the Board recognise that they will have to increase their offer from 9.3% to bring it to an end, and they believe that the longer a strike lasts, the greater the

increase needed. If a strike goes on for a long time, say 5 or 6 weeks, their very preliminary thinking is that they might have to pay the equivalent of 15% on base rates (or 3% more than the 12% they think they could settle for soon after the ballot) to end a strike. I have asked them to assess this question more fully, including whether a settlement might include an agreement on productivity. The Board nevertheless believe that an increase in their offer after a strike is less damaging to their future credibility and the Government's economic strategy than early capitulation. They are determined that the eventual settlement will result in the miners being less well off, taking into account loss of earnings through a strike, than had they accepted the Board's original offer. This should also leave the miners less inclined to strike again next winter. A six week strike would cost the average miner nearly £900 gross. By contrast, the Board also believe that early capitulation would only encourage Mr Scargill to make higher demands next winter, backed by strike action then.

10. Sir Derek Ezra has asked for an early indication of whether the Government supports the Board's firmness now and in response to any approach after an adverse vote. He has urged that we should reject pleas for either bilateral or trilateral meetings involving the Government and the NUM.

Government reaction

11. Despite Sir Derek Ezra's request for clear guidance now, I am sure we should not try to reach final decisions until after we know the outcome of the ballot. Only then shall we be able to assess the strength of support for rejection and whether militancy is restricted to the traditionally militant coalfields or is more widespread. We shall also need to take into account the reaction of the local authority manuals to a similar offer (and the final outcome with the water industry manuals) and the reaction of the media and public to the outcome. We shall need to meet to assess the position as soon as the outcome of the ballot is known.

12. I have asked Sir Derek Ezra to let me have a full assessment of the outcome of the ballot as soon as possible and have told him that I would wish to discuss further action with him before the Board meet the NUM for further discussions, to which the NUM is in effect committed. I have also told him that I believe that the Board should try to prolong any negotiations for as long as possible as, even if there is eventually a strike, delay would enable us to prolong our ability to maintain electricity supplies into the spring, when the public will find disrupted supplies easier to bear. The Board will be exploring the various possibilities for spinning out any discussion. I also strongly urged Sir Derek to make Mr Gormley honour his undertaking publicly to urge his membership not to reject the Board's offer. Such a plea on television could have great impact both on the miners and on public opinion.

Options for the Government

13. We should nevertheless give preliminary consideration to the main options open to us in the likely event of 55% or more of the miners voting in favour of the recommendation, namely:-

(a) to urge the Board to increase its offer to whatever reasonable level proves necessary to avoid strike action, say 11%-13%;

(b) to support the Board's present position of no more money at all; or alternatively to agree to a token increase to demonstrate a desire to be reasonable and avoid a confrontation, even though this may be less than the amount the Board considers to be the increase needed to buy off a strike.

Option A

14. The size of the offer needed to avoid a strike will depend on the precise outcome of the ballot. If the outcome is very marginal and support for the NUM's recommendation only comes from militant coalfields it might be possible to avoid a strike by offering only a token increase, say ½% or 1%. In this case the damage to the Board's finances and credibility in making such an offer and the Government's strategy would be strictly limited.

15. On the other hand, if the Board are correct in believing that some 60% of miners will support the recommendation, their best estimate is that they will have to offer the equivalent of about a 12% increase on base rates. This approach would avoid all the political and economic uncertainties that strike action will inevitably involve. It would give us more time to lay our plans for a possible strike in the autumn. In the short term the cost to the Board would be less damaging than that of a strike. Indeed such a settlement might do less damage to the Board's finances and our economic strategy than if the Board eventually had to settle for still more on base rates after a strike. We could make the most of the fact that the increase in earnings would only be 9%, ie close to the water industry manuals' final offer

16. Against this, a settlement of about 12% would damage our efforts to hold down future pay increases in the public sector, even if we claim that the miners were a special case. It would soon become known that the Board had only taken such action under pressure from the Government. The Board might well make difficulties over complying with our wishes as this would undermine their credibility as negotiators. We could even be faced with one or more resignations from the Board. Such action would only postpone the clash with Mr Scargill and would cause him to seek to involve the Government at a very early stage in the autumn negotiations.

Early victory would boost his morale and whet his appetite for future encounters with the Board and Government. While the NCB might ask us to meet the cost of such a settlement - each 1% increase on base rates costs £13m for NUM members and £18m for the NCB workforce as a whole - we could point out that the Board had themselves made clear that more money would inevitably mean higher prices (including higher electricity prices) and reduced investment. There would inevitably be a strong reaction from the private sector.

Option B

17. In considering this option we must take into account the probability that there will be a confrontation with Mr Scargill and the NUM either this winter or next November. We therefore need to assess whether it is better to stand firm now or later.

18. The following considerations are pertinent:-

(a) Mr Scargill has not had an opportunity to prepare for an early confrontation. He will almost certainly prepare detailed plans for a November confrontation, laying the groundwork at the next NUM Conference in July. A carefully prepared "political" confrontation could be more damaging and spread more widely next autumn than now.

(b) At the moment the NUM membership are in a quiescent rather than militant mood. Compared with almost all other workers they have good job security (or generous redundancy terms if they should wish to leave) and are being offered significantly more than most other groups have settled for. Mr Scargill and others will, of course, attempt to whip up militancy in the period ahead. But by the autumn he will have had much more time to do this in support of a political-cum-pay confrontation with the Government.

(c) Annex C sets out the current position regarding endurance and compares it with what might be attainable next winter. The exceptionally bad weather and the effect of ASLEF's likely stoppage next week have resulted in lower figures for power station endurance by early February than we discussed before Christmas. There are many uncertainties. But if a strike begins early in February and oil burn at power stations can then be maximised (and some other exceptional measures taken) electricity supplies could be maintained until the beginning of April. If a strike is delayed until later in February, endurance well into April should be possible. However, in both cases preparations for extremely severe restrictions on electricity demand (far more drastic than any experienced so far with highly damaging consequences for industry and consumers generally) would have to be made before the limit of coal stocks is reached. In November the industry should have stocks for a longer period of endurance. But Mr Scargill could be expected to ensure that industrial action began very much earlier next winter - perhaps in November, rather than in February. This would imply a limit of endurance around the end of February 1983, ie a month or so earlier than should be possible this year.

(d) A strike in February would mean lower stocks in November 1982 and reduce our ability to hold out then if the NUM again threatened industrial action. It would be difficult to restore coal stocks by November even if exceptional and costly measures were taken during the summer. But the NUM membership are likely to be very reluctant to take strike action twice in one year, particularly if they are still out of pocket as a result of the earlier strike.

19. There is very little prospect of the Government and the Board inflicting total defeat on the NUM either now or later. At the present time it is by no means clear that it will be easier to make the NUM pay more dearly for strike action in the autumn than now. The fact that the NUM are not fully prepared, and that spring is in prospect may thus outweigh the better stock position expected in November. If Mr Scargill has an early victory now, morale in the NUM is likely to be high in November and the Union is more likely to be prepared for a lengthy strike. The danger of a political confrontation supported by other unions seems more likely in November than now. On the other hand if there is a strike now the Board may have eventually to settle at a figure which would still give Mr Scargill a victory.

Conclusion

20. At this stage I invite colleagues to note that I have told the NCB that the Government:-

(a) welcomes the steps the Board are taking to put over to their workforce the generous nature of their offer;

(b) agree that in the run-up to the ballot it is vital that all concerned should avoid giving any indication that the NCB has any money to increase its offer in the event of an adverse outcome to the ballot;

(c) would wish to have very early discussions with the Board, if the vote goes against the Board, to assess the situation and consider further action.

21. While we cannot reach final decisions until we have a detailed assessment of the ballot and its implications, colleagues will also wish to give preliminary consideration to the two main options which may face us (paragraphs 14-19).

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

B.D.

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

8 January 1982

ANNEX A NCB MEASURES TO PUT FORWARD THEIR CASE

The NCB are taking the following actions to ensure that the case for accepting their current offer is fully understood by the NUM's membership.

a Press Advertisements, beginning in local and regional newspapers on 6 January, and moving to popular national dailies on 10/11 January. A copy of one of these is attached.

b A special feature in the January issue of 'Coal News', the industry's newspaper read by most miners.

c A series of speeches by Sir Derek Ezra and other Board Members, with accompanying press briefing material. These began with a speech by Sir Derek Ezra on 5 January.

d Area Directors are ensuring that colliery managers put forward the facts of the case to the men.

The Board are also asking colliery managers to prepare contingency plans for the event of a strike, and are consulting the officials' and staff unions on the provision of safety cover. All this will impress on the membership that a vote for strike if necessary is a vote for a strike, not a vote for an increased offer.

THE FACTS OF THE COAL BOARD'S OFFER TO THE MINEWORKERS

FACT.

The offer is the equivalent of 9.33 per cent on basic rates. And workers qualifying for the new service bonus get up to 10.5 per cent.

FACT.

It is one of the best made to any major group of industrial workers in the present round.

FACT.

The increase comes only 10 months after the last settlement.

FACT.

It is the third increase in 20 months, during which time mineworkers' average earnings for five shifts, including the current offer, will have gone up by more than the cost of living.

FACT.

Since the Wilberforce settlement in 1972 mineworkers' average earnings for five shifts, including the current offer, will have gone up by over 385 per cent – against a rise in the cost of living of 274.2 per cent.

FACT.

The Board's offer takes full account of the industry's improved performance, both past and future. It is the most the industry can afford if we are to hold our markets and go on investing for the future.

FACT.

If we do lose markets and fail to invest, jobs will inevitably be lost.

Proposed Adult Grade Rates

Grade	Current Rate	Proposed Increase	Proposed New Rate
	£	£	£
U1	111.95	9.60	121.55
2	101.80	8.70	110.50
3	98.00	8.40	106.40
4	94.80	8.25	103.05
5	93.35	7.95	101.30
6	91.75	7.85	99.60
7	90.20	7.75	97.95
FACE UC1	111.95	9.60	121.55
FACE UC2	98.00	8.40	106.40
FACE UC3	94.80	8.25	103.05
UC1	103.45	8.85	112.30
UC2	96.35	8.50	104.85
UC3	93.35	7.95	101.30
S1	95.30	8.15	103.45
2	87.15	7.55	94.70
3	85.55	7.35	92.90
4	84.00	7.15	91.15
5	82.35	7.10	89.45
6	80.85	6.95	87.80
SC1	94.10	8.05	102.15
SC2	87.15	7.55	94.70
SC3	84.00	7.15	91.15
Insp QC	95.30	8.15	103.45

New Service Bonus

2 – 4 years	£20	5 – 14 years	£30
15 – 24 years	£50	25 years or more	£70

Proposed Juveniles Rates

Age	Proposed Increase		Proposed Rate	
	Surface	Underground	Surface	Underground
17½	£5.70	£5.70	£61.45	£68.55
17	£5.05	£5.30	£58.55	£65.35
16½	£4.45	£4.75	£56.20	£62.70
16	£3.90	£4.35	£54.00	£60.25

FACT. THE COAL INDUSTRY IS SUCCEEDING – A STRIKE NOW WOULD DESTROY THAT SUCCESS.

NCB

Issued by the National Coal Board

ANNEX B. EVENTS FOLLOWING A VOTE BY NUM MEMBERSHIP OF BETWEEN 50% AND 55% FOR REJECTION OF NCB's OFFER

In this case the membership would have rejected the Board's offer and the NUM Executive would certainly press for further negotiations. However, they would have no mandate to order a national strike. A rather confused picture might emerge, perhaps involving an overtime ban and/or locally authorised strikes (which the NEC can agree to without a ballot). But none of this would add up to action which could lead to the kind of reduction in coal stocks [redacted] which is the only way in which a miners' strike is effective. The eventual outcome would most likely be acceptance of a very small 'cosmetic' improvement on the NCB's present offer; though the Board might be able to get away with no change.

ANNEX C

POWER STATION ENDURANCE

Power station coal stocks decline from mid-December in normal circumstances. This winter's exceptionally bad weather combined with the likely ASLEF 2 day stoppage and other factors may well reduce power station endurance by early February to 6 - 7 weeks at normal levels of electricity demand.

2 Exceptional measures could extend endurance. Maximising oil-burn could probably extend it to 8 - 9 weeks. Importing more coal than we agreed with the NUM after last spring's Tripartite would be confrontational but, together with using more gas diverted from industry, could probably add another week of endurance.

3 If we were prepared to impose restrictions on electricity demand it would extend endurance but not very much. Measures as severe as the worst experienced in 1974 would have to be applied for a full 6 weeks to extend endurance by 1 week.

4 But even if we assume that endurance can be stretched from early February to early or mid-April, it is clear that, towards the end of March before coal endurance is exhausted, either the dispute will need to be resolved or preparations will have to be made to impose swingeing cuts on electricity demand, cuts so severe that they have never been contemplated previously. Those preparations would probably involve introducing more limited restrictions at that point in order to prepare consumers for a progressive tightening of control. (This assumes that we would find it difficult or impossible to use servicemen to move pithead stocks to power stations for the reasons discussed in the MISC 57 report). Effectively, the electricity system would be run on oil and nuclear stations only and demand would probably have to be cut by 60%/70%. Essential services and industries, (eg. food, medical), some domestic consumption and little else could be accommodated. Most of industry would probably close down giving rise to unemployment far beyond the capacity of the social services.

5 As spring advances heating load falls off and restrictions would be less onerous for that reason. Nevertheless the social effects of restriction at a level never before experienced could be considerable.

6 If on the other hand the NUM are bought off this winter, they might be encouraged to move towards confrontation much earlier next winter. An overtime ban might begin in early November and a strike before the end of November.

7 If there is no prolonged railway stoppage this spring and no NUM action, while accelerated deliveries continue, we might look forward to coal stocks providing an endurance of 10 - 11 weeks of average weather demand in early November (this is less

than earlier envisaged because of recent severe weather and the effects of industrial action by ASLEF). If oil use is maximised from an early stage this might be extended to 15 - 16 weeks. The other measures mentioned above would also be available. But if the dispute is not resolved before coal stocks are exhausted the extremely severe restrictions on electricity demand will have to be imposed earlier in the year, probably some time towards the end of February, when they would bite more severely.

8 It is unlikely that the NUM would precipitate action both this winter and next, but if they did, our position next November is likely to be even worse. It may prove difficult to recoup stock losses caused by action now during the summer months; we could therefore face the winter of 1982/3 with endurance less than 10 - 11 weeks of coal.

9 These assessments are clearly subject to uncertainty. Abnormal weather, industrial action in the pits or on the railways or even accidents can alter the position. They will be kept under constant review.

SECRET

8 January 1982 20

Policy Unit

(2)

Prime Minister

2 papers for Tuesday's meeting; others (on oilburn and ancillaries) promised for Monday.

MCS 8/1

PRIME MINISTER

TACTICS AFTER AN ADVERSE MINERS' BALLOT

1. As Nigel Lawson indicates, we have contributed to his paper, but because it has been quite considerably changed since his meeting with Derek Ezra yesterday, it has not been agreed with us. And on the central issue of whether, if we have to choose, we buy off the miners or take a strike, Nigel presents no conclusion.

2. We think there are three key judgments that colleagues will need to make before reaching a conclusion, which ought to be discussed at Tuesday's meeting so as to clear the ground for decisions at the second meeting arranged for 20 January (after the ballot); and that there are a few subsidiary, but potentially very important, issues that also need to be thought about now. No immediate decisions are required other than to endorse Nigel's proposals in paragraph 20, which we think are uncontroversial.

The key judgments

3. The key judgments are these:

(1) How much would be needed to buy off the miners without a strike? The NCB think that 12% (ie an increase of 2.7% on base rates) would do the trick. We agree with Nigel that it largely depends on the support in the ballot for a strike.

(2) How much would be needed to bring a strike to a conclusion? Here there is great uncertainty. Until yesterday, the NCB were saying to Energy officials that it would certainly be no more than what would have been needed to prevent it, because the miners are much less keen than they used to be on staying out for a long time. Now the NCB are suggesting they could settle for about 15% after 3-6 weeks.

(3) Is it preferable to give the miners more without a strike, or only after they have had to strike? The NCB feel strongly that they should not capitulate without a struggle. We think the pros and cons are presented fairly in paragraphs 14-19 of Nigel's note.

SECRET

4. Colleagues should approach these judgments against the background of the fact that all the key assessments of the miners' pay negotiations this year have so far been either wrong or contradicted. We were expecting an early, moderate settlement: it is now late and already excessive. We were not expecting militancy: now we are advised of 60% support for strike action. We were told a strike could be settled for 12-13%: now we are told it is 15%. We are told the NCB are determined to stand firm; can we be sure that they will? Colleagues must recognise that they are building decisions on constantly-shifting sands, in a situation where the very fact of a majority for industrial action means that all the choices before them are unattractive.

The subsidiary issues

5. But some issues are more susceptible to logical analysis. Colleagues ought to probe these in particular:

(1) Stocks. We think Energy is being unnecessarily cautious. In Annex C, they say that endurance (with oil burn) will be 8-9 weeks from 1 February. But before Christmas they assessed it at 13-15 weeks. Has bad weather/ASLEF really had such an impact? The latest (4 January) report gives 19.3 million tonnes of power station stocks at 19 December. The normal rundown at this time of year might reduce that to 16 million tonnes by 1 February. That represents 9 weeks' endurance (we use less than 2 million tonnes per week in the spring). On top of that, there should be 2 weeks from oil burn, and 1 week from gas and imports, say 12 weeks in all.

(2) The Scargill factor. We agree with the NCB that it would be harmful to future pay negotiations if it were seen now that Scargill had only to roll his sleeves up to extract more money. That has to be offset against the lower stocks we should have next autumn if we take a strike now: but we, like the NCB, doubt that the miners would strike twice in one year.

(3) The political overtones. The NCB suggest that the TUC would try to mediate. We doubt that; and we certainly don't think colleagues should rely on it. But the miners might find themselves short of friends: the SDP will be happy to leave it to us to take them on, and the moderates in the Labour Party may not be keen to support a TU leader so closely associated with Benn.

(4) Autumn vs. spring. Since we're not envisaging rota cuts or major economies of consumption, the advantage of starting a strike in the spring is largely psychological. But psychology could be very important in maintaining public support.

(5) Our publicity stance during a strike. We shall need to decide whether to play the strike up, with appeals for economies and attempts to turn the heat of public disapproval on the miners; or down, by saying the minimum and hoping to demotivate the strikers by minimising their public impact. We have done some preliminary work on this: officials need to analyse it properly.

(6) Belvoir. We ought not to lose sight of Belvoir as a potential card in the negotiations. Nigel may be able to advise us on whether we could play it effectively.

* on this see Len Murray's letter, in the box

Conclusion

6. Like Nigel, we want to wait and see the ballot result before reaching a conclusion. For the moment, we think it would be sufficient for colleagues to agree that taking a strike is by no means ruled out.

JOHN HOSKYNS

CONFIDENTIAL

Prime Minister

Agree to a meeting on 20 Jan?

(1)

B/F

MR. SCHOLAR

Yes MT

cc. Miss Stephens MLS 6/1
Mr. Hoskyns
Mr. Duguid

Ministerial Meetings on the Miners' Pay Dispute

I mentioned to you that we may well need, in addition to the meeting planned for next Tuesday afternoon, a meeting of Ministers the following week to take decisions, in the light of the outcome of the miners' ballot, on what the Government wants the NCB to say to the NUM.

As the paper which Mr. Lawson should be submitting at the weekend will explain, there is a very small window for the taking of that decision. We expect the outcome of the ballot to be known on 19 January, and the NUM executive to meet on 21 January. It will be important for the NCB to be able to avoid giving the impression of uncertainty when the NUM leadership approaches them, as they certainly will, immediately after their executive meeting, asking for more money. Ministers (i.e. those who were concerned with the handling of the MISC 57 report) ought therefore to meet on 20 January - all this, of course, on the assumption of a ballot result authorising industrial action.

And, unwelcome though this may be to Caroline, we ought not to rule out the possibility of a further meeting of the same group of Ministers after the NUM executive meeting on 21 January, in case the executive come up with a proposal that is not covered by earlier Ministerial decisions. But for the moment I think the only meeting that needs to be pencilled in is for 20 January.

As you know, the Department of Energy are under an obligation to send their paper for next Tuesday's meeting early in the week beginning 4 January. We have condoned this being interpreted as during this week; but I would be very grateful if you would reinforce at Private Secretary level a point I have already made to Energy officials, that we really must have it early on Friday, because the Policy Unit will want to have a few hours to look at the final version and to prepare any advice we may want to put into the weekend box.

already done -MS

6 January, 1982

J. M. M. VEREKER

CONFIDENTIAL

File

cc. Transport: BR fares PO 2.

MR. SCHOLAR

cc: Mr. Whitmore

MEETING TO DISCUSS MINERS AND RAILWAYMENS PAY

This is arranged for 1615 on Tuesday 12 January. The following will be attending:

Chancellor of the Exchequer
Home Secretary
Secretary of State for Energy
Secretary of State for Transport
Secretary of State for Employment
Mr. Hoskyns
Mr. Vereker

CAROLINE STEPHENS

5 January 1982

SECRET

19

bc. Mr. Scholar

Mat Ind

10 DOWNING STREET

22 December 1981

PUBLICITY STRATEGY IN THE RUN-UP TO THE MINERS' BALLOT

This is to confirm our conversation this morning, in which I told you that I had consulted the Prime Minister about the overall publicity strategy we should adopt in the period up to the miners' ballot, and that she had agreed.

I put to the Prime Minister the principles outlined in the third paragraph of my letter of 21 December to you, with some additional explanation. On the second point, the subject of Douglas Smith's letter to you of 21 December after he had seen mine, and about which we spoke, I put it to the Prime Minister that in our briefing behind the scenes we should avoid giving the impression that the Government is prepared to find more money for paying for a high settlement, without of course going so far as to indicate that at this early stage Ministers have decided what to do if the miners vote for industrial action.

The way is now clear, therefore, for us to proceed as agreed: that is, Bernard Ingham here will take steps to co-ordinate with the Directors of Information in the Departments concerned, & I understand that you will be advising your Secretary of State to minute his colleagues.

I am sending copies of this letter to the recipients of my letter of 21 December.

J. M. M. VEREKER

I.T. Manley, Esq.,
Department of Energy.

SECRET

R M

18

SECRET

cc:- Mr Hoskyns
Mr Duguid
Mr Ingham

MR VEREKER

PUBLICITY STRATEGY IN THE RUN-UP TO THE MINERS' BALLOT

As I told you this morning, the Prime Minister is content for you to proceed on the basis set out in your minute of 21 December.

22 December, 1981

SECRET

SECRET

Prime Minister

MCS 21/12

(1)

PRIME MINISTER

cc Mr Hoskyns
Mr Duguid
Mr. Ingham

Publicity Strategy in the Run-Up to the Miners' Ballot

I think you should know that officials have been working on a strategy for the Government's publicity stance in the next few weeks before the miners' ballot on 14/15 January. This is based on three principles:-

i) Ministers should keep in the background, leaving the main attributable effort to the NCB. Clearly we want to avoid giving any credibility to Scargill's attempt to turn the ballot into a political event; and the NCB have already sent out special copies of its in-house newspaper to all miners, trying to persuade them that the offer is reasonable (a summary of what the NCB is saying is attached to this note, on the basis of the PA report this afternoon).

ii) In our briefing behind the scenes, we should avoid giving the impression that the Government is prepared to find more money to pay for a higher settlement, without of course going so far as to indicate that at this early stage Ministers have decided what to do if the miners voted for industrial action.

iii) We should make every effort to get into circulation, again on an unattributable basis, facts indicating that the miners have no grievance, and have been made a good offer.

I understand from the Department of Energy that Mr. Lawson has endorsed this strategy, and we here also think it right. Bernard Ingham will co-ordinate the effort on (ii) and (iii). I have consulted Robert Wade-Gery, and he is also happy with it. Detailed briefing, with which I need not trouble you, will be circulated by Mr. Tebbit to his colleagues most closely concerned before Christmas.

Content for us to proceed on this basis?

Yes MT

21 December 1981

J.V.

SECRET

COAL BOARD PUT THEIR CASE TO MINERS

THE COAL BOARD TODAY ISSUED A SPECIAL EDITION OF ITS NEWSPAPER ''COAL NEWS'' IN A BID TO COUNTER A CAMPAIGN BY MINEWORKERS' UNION OFFICIALS WHO ARE URGING THEIR MEMBERS TO THROW OUT THE 9.3 PER CENT PAY OFFER IN THEIR FORTHCOMING BALLOT.

A SPECIAL DELEGATE CONFERENCE OF THE NUM LAST WEEK VOTED OVERWHELMINGLY TO RECOMMEND REJECTION OF THE OFFER AND TO TAKE STRIKE ACTION IF NECESSARY.

THE BOARD HAS PRINTED 250,000 COPIES OF THE NEWSPAPER UNDER THE HEADLINE: ''DETAILS OF NCB OFFER TO NUM.''

IT POINTS OUT THAT THE OFFER MEANS INCREASED GRADE RATES FOR ALL MINEWORKERS - BACKDATED TO THE BEGINNING OF NOVEMBER 1981 - AND A NEW BONUS, TO BE PAID BEFORE EACH CHRISTMAS HOLIDAY FOR EVERYONE WITH TWO OR MORE YEARS' SERVICE.

IN ADDITION, THE BOARD AGREES IN PRINCIPLE TO THE PAYMENT OF MINERS' WAGES ON A SALARY BASIS, SUBJECT TO THE RESULTS OF AN IN-DEPTH STUDY BEING ACCEPTABLE TO BOTH THE BOARD AND THE UNION.

UNTIL NOW, THE BOARD HAS REFUSED UNION DEMANDS FOR PUTTING MINERS' PAY ON A SALARY BASIS.

THE SIGNIFICANCE IS THAT A SALARIED MINER WOULD BE ENTITLED TO BASIC PAY, EVEN WHEN ABSENT THROUGH SICKNESS OR SOME OTHER GENUINE REASON. THE UNION ARGUE THAT ABSENTEEISM IS AT ITS LOWERST EVER POINT.

THE BOARD SAID THAT IF THE OFFER IS ACCEPTED - IT WOULD BE POSSIBLE TO PAY THE INCREASES IN EARLY FEBRUARY - BACK-DATED TO THE BEGINNING OF NOVEMBER.

THE CHRISTMAS BONUS WOULD BE INCLUDED IN PAYMENTS OF THE ARREARS.

WHILE THE INCREASES WILL COST THE BOARD AN EXTRA £102 MILLION A YEAR, WAGE CHARGES AND CONSEQUENTIAL INCREASES TO OTHER PEOPLE ON THE BOARD'S PAYROLL WILL BRING THE TOTAL COST TO JUST OVER £170 MILLION A YEAR.

THE BOARD STRESSES THAT IT IS ONE OF THE BEST OFFERS MADE TO ANY GROUP OF INDUSTRIAL WORKERS IN THE CURRENT ROUND OF WAGE NEGOTIATIONS.

IT ALSO WARNS THAT TO FIND MORE MONEY BY ADDITIONAL PRICE INCREASES WOULD INEVITABLY MEAN LOSING BUSINESS FOR COAL.

SWITCHING MONEY FROM COLLIERY DEVELOPMENT SCHEMES WOULD AFFECT FUTURE OUTPUT AND PRODUCTIVITY. IN BOTH CASES THERE WOULD BE A FALL IN THE NUMBER OF JOBS THE INDUSTRY COULD OFFER.

-- 1446

16

Ref: B06363

MR SCHOLAR

Withstanding a Coal Strike

Thanks to Mr Moyes' help, I now attach three* draft letters recording the different aspects of the Prime Minister's coal meeting on 17th December. I shall be letting you have a separate draft letter on a less urgent aspect of the meeting which was not concerned with coal, viz. future work of the MISC 57 type in other fields, eg the railways.

R L WADE-GERY

21st December 1981

* One on next winter; + two, with narrower circulation, on different aspects of this winter.

15

MR VEREKER

cc Mr Scholar
Mr Hoskyns
Mr Duguid

PUBLICITY STRATEGY: MINERS

I agree generally with the D/Energy proposals, subject to your point about the miners' relative position in the pay league.

I think we should get Prime Ministerial clearance for unattributable briefing by officials and I would propose to discuss the method at our meeting of the Economic Group at noon tomorrow. The method is crucial. It would be highly dangerous for me, for example, to brief the lobby as a group on the figures unless, of course, some information was specifically sought. This work has to be done the hard way, picking one off after another. To do this we need the relevant Departments - No. 10, Energy, Treasury and Employment working at it quietly and unseen.

On the detailed briefing note it would be helpful to have

- this year's EFL; and the one proposed for next year;
- what, if any, use has been made of Government support for conversion from oil to coal; my impression is that this scheme has not taken off - why?;
- the breakdown of coal stocks between pit head and power station.

We shall be asked for this information and it need not be unhelpful, properly deployed.

B. INGHAM
21 December 1981

T-le

14

10 DOWNING STREET

21 December 1981

Dear Ivor

The Coal Industry

Many thanks for your letter of 18 December enclosing the interesting and helpful papers suggesting a publicity strategy in the period up to the miners' ballot, and some detailed non-attributable briefing. We had a word about this this morning, and I agreed to let you have any comments in the course of the day, with a view to our having a word this evening so that I could, if possible, consult the Prime Minister tonight.

That is, I think, my first point: you told me that your Secretary of State had agreed to this general publicity line, and I explained that I thought we here would be wise to ensure that the Prime Minister also agreed the overall publicity strategy. I do not propose to show her the detailed briefing, but to explain to her what we are up to.

We agree, and it seems to me that it would be consistent with the conclusions Ministers reached in discussion on the MISC 57 report, that the publicity effort between now and the miners' ballot should be based on these principles:

(a) Ministers should keep in the background;

(b) The impression should not be given that the Government is prepared to find more money to pay for a higher settlement; and

(c) Facts should be put unattributably into circulation, indicating that the miners have no grievance and have been made a good offer.

(b) does perhaps require some clarification. Douglas Smith has explained to me that he is unhappy with the last paragraph of Ian Gillis' note, which might be read to indicate that the Government had already taken a decision about what to do if the ballot supports the Executive's recommendation. I think Douglas Smith and I are agreed that we should be entirely neutral about that: we should counter any impression, such as that mistakenly given by the Lord President, that the Government would automatically make more money available because the miners are a special case; but equally we should not let it be said that the Government has decided that under no circumstances would they make more money available.

/On the details

SECRET

On the details of the enclosures to your letter, Bernard Ingham here has commented that it is important to do any unattributable briefing with individual journalists, not with the Lobby as a group. He will arrange for the Directors of Information in the Departments concerned - HM Treasury and Employment, as well as Energy - to co-ordinate this effort. He has also commented that it would be helpful to have these facts in the points to make, since they are likely to be asked:

(i) This year's EFL, and the one proposed for next year.

(ii) What use has been made of Government support for conversion from oil to coal.

(iii) The breakdown on coal stocks between pithead and power station (I believe that some figures are publicly available).

I have already suggested to Ian Gillis that we might be able to use a rather higher figure for mine-workers' relative earnings than the 23 per cent suggested in the note, if we compare the miners with all industries and services, rather than manufacturing industry.

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

Yours
John Wakeham.

I.T. Manley, Esq.,
Department of Energy.

FILE SAW

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JU

COPY NO 13 OF 13 COPIES

13

10 DOWNING STREET

From the Private Secretary

BF

21 December, 1981

Withstanding a Coal Strike

The Prime Minister held a meeting on Thursday, 17 December at 1730 to discuss the Home Secretary's minute to her of 6 December, attached to which were reports by the Official Group on Coal (MISC 57) on withstanding a miners' strike in 1982; the minutes to her of 10 and 15 December from the Secretary of State for Energy, and of 14 December from the Secretary of State for Employment; and the letter of 16 December from the Chancellor of the Exchequer to the Secretary of State for Energy. Those present were the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Industry, Transport, Energy and Employment, Sir Robert Armstrong, Mr. Ibbs and Mr. Wade-Gery.

Ministers first reviewed the prospects for the present winter. They then turned to the question of maximising endurance by November 1982, and broadly endorsed the analysis contained in the MISC 57 reports. Except for the reservations noted in my next two paragraphs, they also approved MISC 57's specific recommendations as set out in paragraph 40 of the Chairman's covering note and in paragraph 4 of the Home Secretary's minute.

Ministers agreed that the present accelerated level of coal deliveries should continue for the time being; and that, immediately the outcome of this winter's pay negotiations was clear, they would consider further whether this accelerated rate should be maintained throughout 1982 (thus leading to power station coal stocks of 23-24 million tonnes by next November) or whether they should opt for a super-accelerated rate of coal deliveries during the remainder of 1982 (with the aim of achieving power station coal stocks of as near 27 million tonnes as possible by next November). Ministers further agreed that the aim should be to have at the power stations by next November stocks of all the necessary ancillary materials at a level

/equivalent

B/F(1) equivalent to 23-24 million tonnes of coal. Your Secretary of State also undertook to consider urgently and report on how stocks of ancillaries at the power stations might be increased by next February to match as nearly as possible the then likely level of coal stocks; the present cold weather was a sufficient reason for such action.

Ministers decided that there should be no consultations with senior management of British Railways about the possibility of Servicemen moving coal by rail.

B/F(2) It was agreed that MISC 57 should consider and report to Ministers on whether it might be possible to introduce a low-price scheme this summer for industrial and domestic coal users as a means of utilising the very high pithead coal stocks; and also the scope in the longer term for creating strategic stockpiles of coal away from the pitheads, preferably under the ownership of the Electricity Boards. MISC 57 was also asked to monitor and report to Ministers regularly on progress during 1982 in increasing power station stocks of coal and ancillaries.

Ministers agreed that the net extra costs involved in increasing endurance by November 1982, as set out in the MISC 57 reports, should be met from the Contingency Reserve; but that public announcements should so far as possible be avoided. It was left that the Chancellor of the Exchequer and your Secretary of State would reach separate agreement on the possibility of increasing the NCB's 1981-82 external financing limit, which was raised by your Secretary of State in his minute of 10 December to the Prime Minister and discussed in the Chancellor of the Exchequer's letter of 16 December.

B/F(3) After the meeting the Secretary of State for Employment referred to the possibility that naval vessels might be used to generate electricity during a miners' strike. I do not know if this is a practical possibility, but I am sure the Prime Minister would want it investigated, and I should therefore be grateful if MISC 57 could look into it and report in due course.

I am sending a copy of this letter to the Private Secretaries of Ministers present, plus the Lord President; and to David Wright (Cabinet Office). In view of the sensitivity of the issues involved, I should be grateful if you and they would arrange for these letters not be to copied further and not to be taken outside the offices to which I am sending them.

M. C. SCHOLAR

Julian D. West, Esq.,
Department of Energy

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COPY 9 OF 9 COPIES

10 DOWNING STREET

From the Private Secretary

21 December 1981

BF

POWER STATION OIL-BURN

I have written to you separately about the main decisions reached at the Prime Minister's meeting on 17 December about withstanding a coal strike. One other point raised during that discussion was whether it might be possible to increase power station oil-burn immediately as a means of conserving power station coal stocks during the period between now and February. It was noted that the cost of buying extra oil for this purpose would be about £130 million to achieve a week's extra endurance. This was agreed to be unacceptably high. But it was suggested that it might be possible to conserve coal to a certain extent by increased oil-burn based on running down existing power station oil stocks; and that this might also avoid creating problems of visibility. I should be grateful if you could arrange for this suggestion to be looked into urgently and for a report to be sent to the Prime Minister as soon as possible.

B/F
23/12/81

I am sending a copy of this letter to the Private Secretaries to the Chancellor of the Exchequer and the Secretary of State for Scotland; and to Sir Robert Armstrong and Mr. Ibbs. I should be grateful if you and they could ensure that it is handled in the restricted way proposed in my letter to you of today's date.

M.C. SCHOLAR

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

SECRET AND PERSONAL

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cc AD
JV

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COPY 7 OF 7 COPIES

10 DOWNING STREET

From the Private Secretary

BF 4/1/82

21 December 1981

TACTICS WITH THE MINERS

During the first part of the Prime Minister's meeting on 17 December to discuss withstanding a coal strike, Ministers considered the possibility of a strike early next year if the pit-head ballot in January rejected the National Coal Board's pay offer.

The point was made in discussion that it was extremely important for the National Coal Board to be considering now what its tactics would be in the period immediately after an adverse result of the pithead ballot; and for the Government also to be considering their tactics during that period and what they should say to the Coal Board so as to leave themselves the maximum possible room for manoeuvre.

B/F 4/1/82

It was agreed that your Secretary of State, in consultation with the Head of the CPRS and the No. 10 Policy Unit, should consider this question as a matter of urgency and report to the Prime Minister. I should be grateful if this report could reach us here early in the week of Monday, 4 January.

I am sending a copy of this letter to the Private Secretaries to the Chancellor of the Exchequer and the Secretary of State for Employment; and to Sir Robert Armstrong and Mr. Ibbs. I should be grateful if you and they would ensure that it is handled in the restricted way proposed in my letter to you of today's date.

M. C. SCHOLAR

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

SECRET AND PERSONAL

Mr Wade-Gery

RESTRICTED

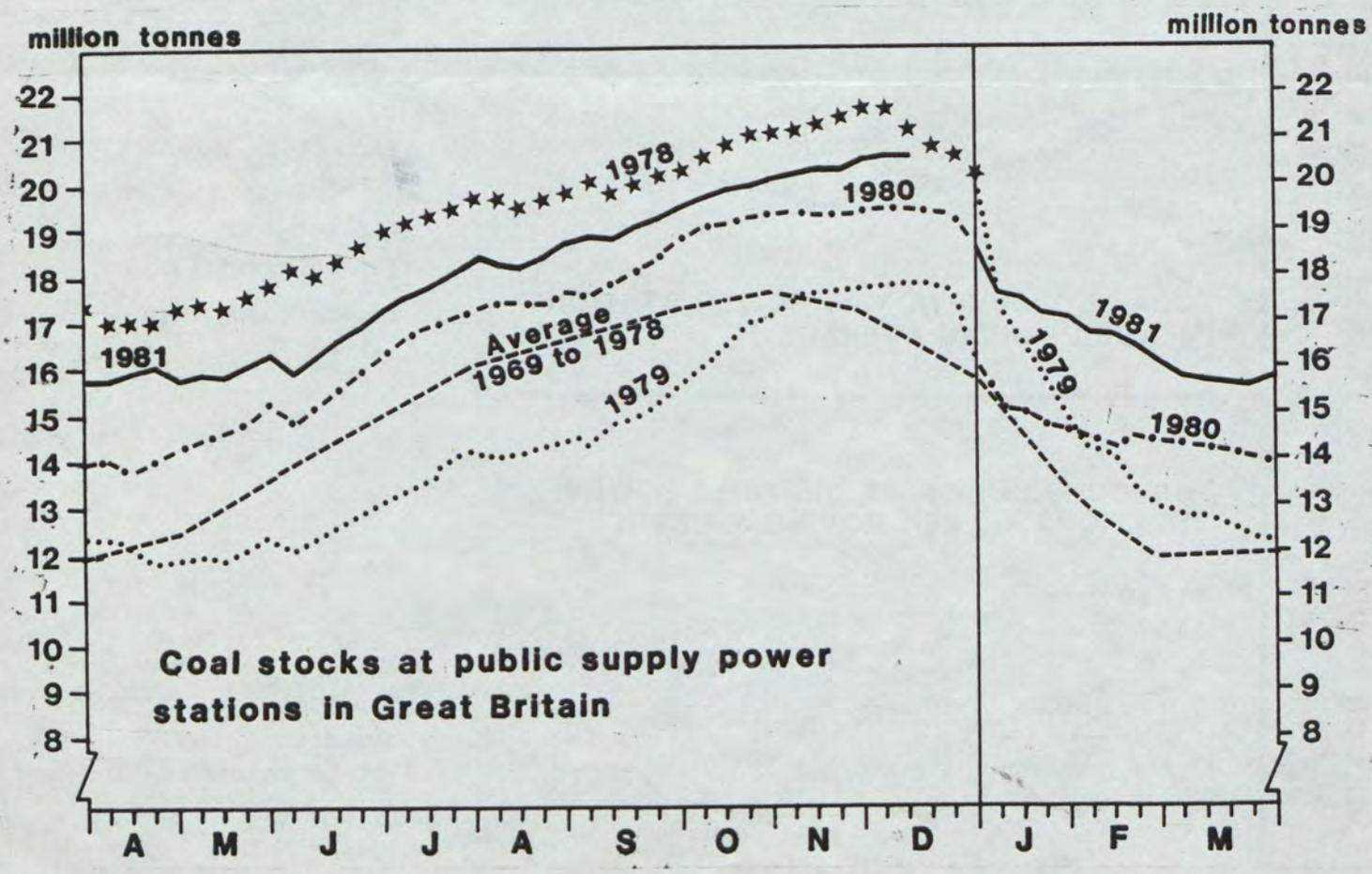
16 December 1981

WEEKLY COAL AND POWER STATION STATISTICS (1)

EcS Division, Dept. of Energy, Thames House South, Millbank SW1P 4QJ. Phone: 01-211-6928

		Week ending	6.12.80	14.11.81	21.11.81	28.11.81	5.12.81
COAL	PRODUCTION (m. tonnes)	deep mines	2.55 :	2.45	2.45	2.51	2.45
		opencast	0.34 :	0.34	0.32	0.32	0.31
		TOTAL	2.89 :	2.79	2.77	2.83	2.76
	PRODUCTIVITY(2) (tonnes/manshift)	'overall' o.m.s	2.45 :	2.48	2.48	2.55	2.50
		'production' o.m.s	9.48 :	9.88	9.90	10.10	9.94
	UNDISTRIBUTED STOCK (m. tonnes)	TOTAL	17.09 :	20.78	20.82	20.93	20.99
POWER STATIONS	COAL STOCKS	(m. tonnes)	19.45 :	20.39	20.54	20.67	20.64
	COAL CONSUMPTION	"	2.06 :	1.88	1.80	1.86	1.91
	COAL RECEIPTS	"	1.97 :	1.89	1.95	1.98	1.89
	OIL STOCKS(3)	"	1.27 :	1.31	1.28	1.24	1.22
	OIL CONSUMPTION(3)	"	0.12 :	0.09	0.07	0.08	0.07
	OIL RECEIPTS(3)	"	0.13 :	0.11	0.04	0.05	0.05
	ELECTRICITY SUPPLIED (4)	(GWh)					
	Nuclear	"	626 :	534	727	694	675
	Other Steam	"	4,993 :	4,494	4,262	4,453	4,547
	TOTAL	"	5,619 :	5,028	4,989	5,147	5,222
	TOTAL - temperature corrected	"	5,374 :	5,051	5,184	5,372	5,222

(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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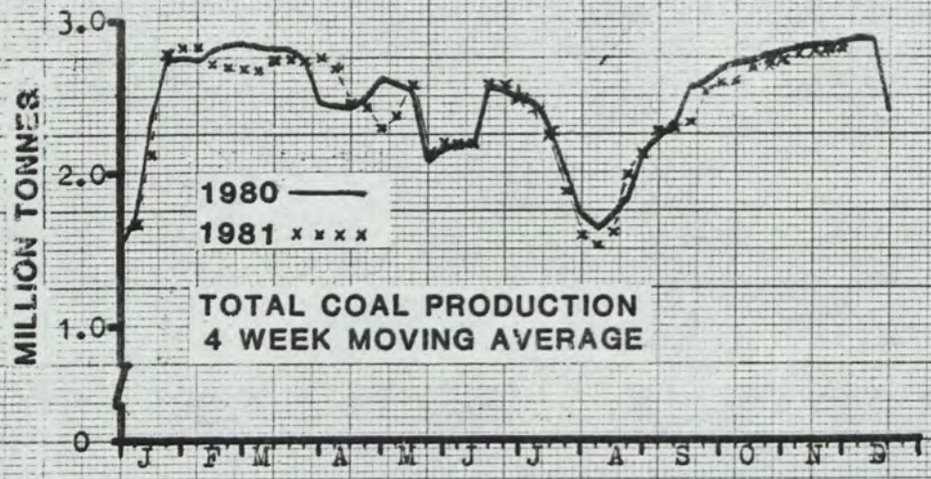
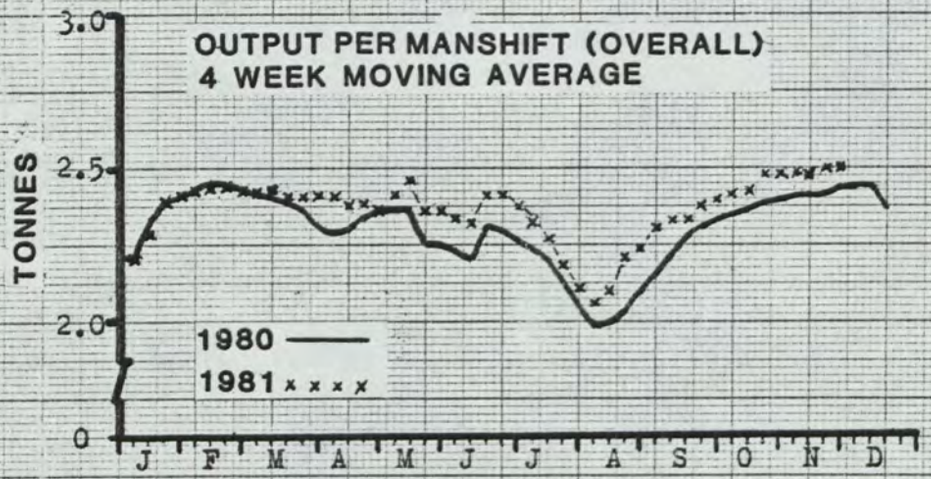


Production in 1980: 128.2 m. tonnes

Change in 1981 to date: -2.2%

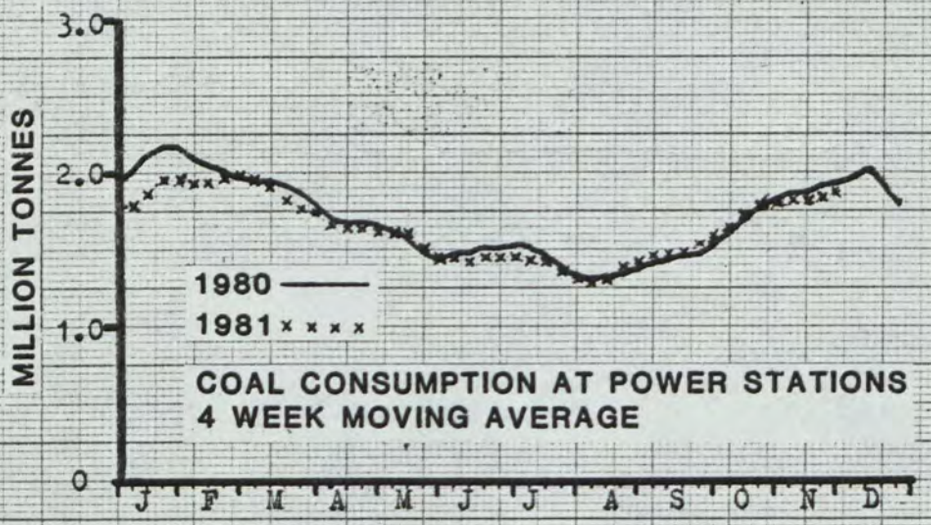
Outcome for 1981 at this rate: 125.3 m. tonnes



Average oms in 1980: 2.32 tonnes

Change in 1981 to date: +2.6%

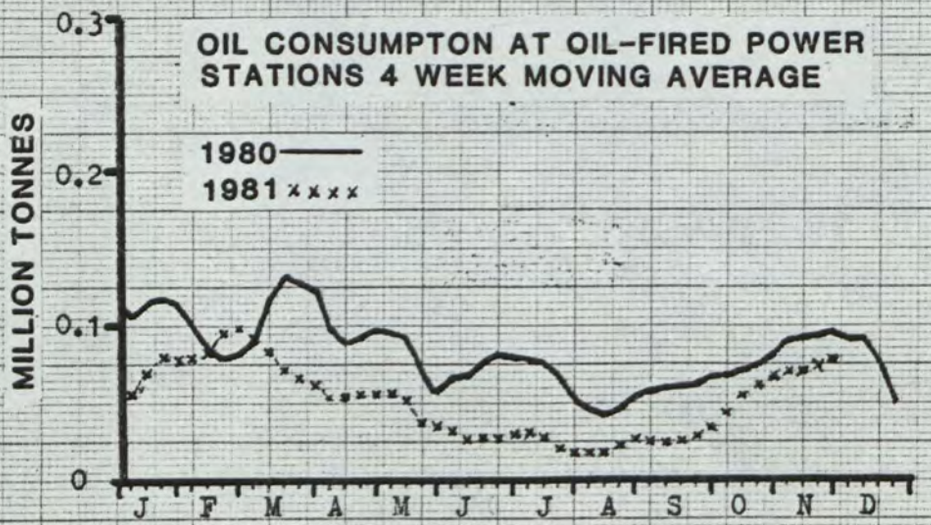
Outcome for 1981 at this rate: 2.38 tonnes



Consumption in 1980: 89.6 m. tonnes

Change in 1981 to date: -3.3%

Outcome for 1981 at this rate: 86.6 m. tonnes



Consumption in 1980: 4.3 m. tonnes

Change in 1981 to date: -38.4%

Outcome for 1981 at this rate: 2.6 m. tonnes

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cc: Mr. Hoskyns
Mr. Duguid

PRIME MINISTER

WITHSTANDING A COAL STRIKE

I hesitate to add to the papers already before you for your meeting on the MISC 57 report tomorrow afternoon. But I think you may find the attached three tables helpful:

Table 1: shows the end year coal stock position since 1974. You will see that we are expecting to have even higher stocks at power stations at the end of this year than we had at the end of 1978.

Table 2: shows the way in which power station stocks have been accumulating this year. These figures are extracted from the weekly reports you see: they do show that some 4 million tonnes extra has been built up at power stations since the summer - and without much corresponding decrease in pithead stocks.

Table 3: summarises the endurance position, since I think you may find it helpful to have an instant reference during the meeting. You will have seen that Nigel Lawson has not yet taken a position as between 27 mt and 24 mt; and that Norman Tebbit supports 24 mt - continuing the present build up rate.

As note 4 to Table III explains, we will have about 16 weeks endurance available on 1 February 1982, without consumption restrictions and without using servicemen. If we want this to deter the miners from voting for industrial action which could take them into the late spring without strike pay, we would of course have to let it be known before the ballot on 14-15 January.

16 December 1981

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TABLE I : END YEAR COAL STOCKS

(million tonnes)

	Pitheads	Power Stations
December 31 1974	5.98	13.63
" 1975	10.62	17.95
" 1976	10.66	19.60
" 1977	9.74	19.13
" 1978	12.44	20.20
" 1979	9.57	16.26
" 1980	17.32	18.62
" 1981 (forecast)	20.80	?21.0

TABLE II : 1981 COAL BUILD UP, BY WEEK

(million tonnes)

	Pithead stock	Power Station stock
Week 0	17.32	18.62
Week 4	17.95	17.08
Week 8	19.47	16.17
Week 12	20.78	15.54
Week 16	21.93	16.11
Week 20	22.40	16.10
Week 24	22.32	16.56
Week 28	22.28	17.87
Week 32	21.25	18.35
Week 36	20.77	18.82
Week 40	20.79	19.70
Week 44	20.64	20.24
Week 48	20.82	20.89
Week 52	n.a.	n.a.

TABLE III: RELATIONSHIP OF POWER STATION STOCKS TO ENDURANCE

Power Station Coal Stock	Endurance without further action	Additional Endurance from: (i) Coal imports during strike	(ii) Maximum oil & gas burn	TOTAL POSSIBLE ENDURANCE
1. Maximum physical capacity - up to 31mt	15½ weeks	+1 week	+7 weeks	23½ weeks
2. MISC 57 proposal - 27mt	13½ weeks	+1 week	+6 weeks	20 weeks
3. Continue present build up rate - 24mt	12 weeks	+½ week	+5 weeks	17½ weeks
4. Hold present stock level - 21mt	10½ weeks	+½ week	+5 weeks	16 weeks

NOTE:

1. The use of servicemen to move coal from pithead stocks provides an extra endurance, estimated at 3 weeks in the case of the MISC 57 proposal, but subject to great uncertainty over the effect of picketing.

2. Winter power station consumption is about 1.9 mt per week. By allowing for 2 mt per week throughout the endurance period and without restrictions, MISC 57 has estimated endurance conservatively.

3. This table disregards the supply of ancillary materials, on the assumption that servicemen could resupply power stations if necessary.

4. The later the endurance period starts, the longer it will be: by May, for instance, consumption is little more than 1.5 mt per week. Therefore, although by 1 February 1982 power station stocks may have declined a little due to normal winter burn, 16 weeks endurance without servicemen or restrictions should still be available, taking us (theoretically) to 24 May.

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

16 December 1981

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

Dear Nigel

ACCELERATED DELIVERIES OF COAL TO POWER STATIONS

Thank you for sending me a copy of your minute of 10 December to the Prime Minister.

Certainly we should instruct the Boards to continue deliveries in the next few months so as to maintain the current addition to stocks at power stations. I accept that it would be sensible for the additional coal to be paid for by the electricity supply industry on deferred payment terms.

This deferral of payment should not of itself cause an addition to the NCB's external financing requirement. The Board's costs will be very little increased by having to transfer extra stocks from pithead to power station and the EFL was set on the assumption that the electricity industry would pay for only its normal level of deliveries this year. However, the NCB has been predicting an overspend on its EFL since early Summer and has not identified sufficient cost-cutting measures to bridge the gap. It has relied rather on the prospect that Ministers would decide to boost coal sales to the Electricity Boards. As the Chief Secretary pointed out in his letter of 27 November, this is most unsatisfactory and we are most reluctant, therefore, to agree to an increase in the NCB's EFL - which would of course involve an increase in public expenditure and would have to be financed from the Contingency Reserve.

I note, however, that the NCB has been planning on the assumption that the Electricity Boards would pay for the extra 1½m tonnes during 1981-82 and requires an increase in its EFL because this payment will not now take place until 1982-83. It follows, of course, that their income next year will be higher and their need for external finance correspondingly lower. In effect what is proposed is a self-correcting transfer of external finance from 1982-83 into 1981-82. As you know, I announced last year provision for end-year flexibility

/under which

under which short-term borrowing from the NLF at the end of the year would be allowed in excess of that year's EFL on condition that the amount of the excess would be deducted from the following year's EFL. I suggest that, if at all possible, any increase in the NCB's EFL this year should be accommodated within these rules. That would involve limiting the increase to 1 per cent of forecast turnover and fixed investment expenditure which would be well over £50m for the NCB.

Dealing with the matter in this way would have the added advantage that it would allow us to delay a final decision on the level of increase required until close to the end of the financial year and, therefore, would provide good reason to delay any announcement until well after the current pay negotiations have finished. It would also provide an incentive for the NCB to find all possible savings in costs in the remaining months of the year.

I hope, therefore, that you will agree that any increase in the NCB's EFL for this year should be offset by an equal reduction in next year's EFL and should be dealt with, if at all possible, under the rules for end-year flexibility. If you agree, officials could examine the scope for absorbing extra handling costs within the same limits.

I am sending copies of this letter to the Prime Minister, the Home Secretary, the Secretaries of State for Employment and Scotland, and to Sir Robert Armstrong and Robin Ibbs.

GEOFFREY HOWE

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Ref: B06360

PRIME MINISTER

c Sir Robert Armstrong
Mr Ibbs

Withstanding a Coal Strike: 1982

BACKGROUND

1. The following are the papers for your meeting on Thursday, 17th December at 5.30 pm:

A i. the Home Secretary's minute of 6th December attached to which were two reports by the Official Group on Coal (MISC 57) and my covering note to them, which summarised the decisions for Ministers;

B C ii. the Secretary of State for Energy's minutes of 10th and 15th December;

D iii. the Secretary of State for Employment's minute of 14th December; and

E iv. Mr Scholar's letter of 15th December replying to the Secretary of State for Energy's minute of 10th December.

2. The papers raise broadly two issues for discussion, viz.

i. the likely future course of this winter's pay negotiations with the miners; and

ii. the strategy to be adopted in respect of withstanding a miners' strike next winter, on which early decisions are essential.

But the Chancellor of the Exchequer may also want to discuss

iii. whether studies similar to those undertaken by MISC 57 should be mounted for other key industries besides coal.

THIS WINTER

3. The National Union of Mineworkers' (NUM) Special Delegate Conference meets on Friday; a pithead ballot has been arranged for 14th and 15th January. As the Parliamentary Under Secretary of State in the Department of Energy
F reported in his letter of 10th December to the Chancellor of the Exchequer, the Delegate Conference seems likely to recommend rejection of the

National Coal Board's (NCB) offer and strike action if necessary. The hope of moderate NUM leaders is now that such a recommendation will be rejected in the ballot, and Mr Scargill thus humiliated. Otherwise there will have to be further negotiations in the second half of January, with the NCB having to choose between further concessions or a strike. Even if they accept the latter, it could hardly begin before 1st February.

4. By 1st February coal stocks at power stations (at present 20½ million tonnes) will for seasonal reasons have dipped to 18½ million, even if the accelerated 1981 rate of build-up is maintained throughout January. Endurance would therefore be proportionately less than in the table in paragraph 41 of my MISC 57 covering note. Without Servicemen moving coal (or electricity supply restrictions), it would perhaps be 15 weeks; calculations are at Annex A to this brief. That would take us to mid-May. If Servicemen started to move useable pithead stocks from 1st February, and succeeded in doing so despite the enormous law and order problems involved, they might extend endurance by a further month ie to mid-June. As the MISC 57 reports make clear, coal-burning industry would be in severe trouble much earlier.

5. There is nothing the Government can do to influence the miners' ballot, apart from the careful press briefing your office already has in train; nor to extend endurance, apart from one possibility. That would involve directing the generating boards to step-up oil-burn now in order to conserve coal stocks. 1-1½ weeks extra endurance could be "purchased" in this way during January. But they would cost £130-200 million (a week's coal-burn costs £80 million and a week's oil-burn £50 million more than that). So this should presumably not be contemplated unless your meeting concludes that a strike this winter is pretty likely.

6. Hitherto you and your colleagues have taken the view that, if there has to be a coal strike, next winter would be better than this winter; and that this winter's strategy should therefore be peace at the lowest price available. Most of your colleagues will probably hold to that, despite Mr Scargill's trumpetings. But the Secretary of State for Energy may argue that a show-down this winter would have certain advantages: the

strike could only start when the winter was more than half over; it would almost certainly not be preceded by prolonged go-slow action (as it might be next winter, leaving the Government unable to justify strong counter-measures although power station coal stocks were dwindling); and this Parliament's natural life is further from its end.

7. The strongest argument for having any unavoidable show-down next winter is that coal stocks will then be higher. How much higher depends on your present meeting.

NEXT WINTER

8. The issues for decision now are set out in the Home Secretary's minute. The argumentation is fully rehearsed in the covering note to the two MISC 57 reports; so the covering note can, if you wish, form the main basis for the discussion.

9. The Home Secretary poses the three main questions: what level of power station coal stocks to aim at; what level of ancillary supplies; and whether the military should reconnoitre the tasks to be performed. He also notes the underlying dilemma - visibility versus deterrence; and the fact that cost is not a major issue, except insofar as it may influence visibility.

10. The present level of coal stocks is 20½ million tonnes. The 1978 peak was 22 million. Continuing this year's programme of accelerated deliveries should produce 23-24 million by next November. Going for the maximum possible without new construction works should produce 27 million. These two are the only real options. Even if new works were acceptable, more than 27 million could probably not now be attained in the time that will be left after a January-February settlement of this winter's pay negotiations. MISC 57 recommended 27 million; the subsequent minute from the Secretary of State for Employment argues for 23-24 million; and so by implication does the Secretary of State for Energy's minute of 15th December. The higher figure, if achieved despite the dangers inherent in its greater visibility, would provide 2 weeks' more endurance than the lower and therefore more deterrence. The lower figure would be

safer in visibility terms but would offer only about 1½ weeks' more endurance than today's level. The majority of your colleagues seem likely to favour 23-24 million tonnes.

11. The level of ancillaries should present no problem. If a coal target of 23-24 million tonnes is chosen, ancillaries should match that. If the coal target is 27 million tonnes, an ancillaries level equivalent to 23-24 million tonnes should still be adequate; the gap ought not to be too difficult to close, during a strike, by commercial ingenuity or failing that by the use of troops.

12. Military movement of pithead coal by rail looks unpromising, but could be usefully explored with top British Rail (BR) management without indiscretion. Movement by road looks much more promising. Advance reconnaissance would resolve a number of unknown factors affecting the logistics. But it could easily become an explosive political issue. In any case, the really serious unknowns about the troops' ability to move pithead coal arise not from logistics but from considerations of law and order, which no advance preparations could mitigate; if picketting were sufficiently determined and large-scale, the police might not have the manpower to provide the troops with adequate freedom of movement, and their attempts to do so might involve more in the way of pitched battles than public opinion would stomach.

13. As regards the underlying dilemma, the advantages of achieving maximum deterrence next autumn are obvious enough. The difficulty is to judge what level of visibility en route would provoke the miners into counter-measures (eg go-slow action) which could easily frustrate the attempted build-up of coal stocks.

14. The Chancellor of the Exchequer is not likely to object to the comparatively small costs involved, given the important issues at stake. A greater difficulty may be to persuade the NCB and the generating boards that the build-up should be financed in ways which do not court visibility dangers. But the Secretary of State for Energy is reasonably reassuring about this in his minute of 15th December.

15. Whatever the main decisions, a subsidiary issue to be settled will be how much to do while waiting for this year's settlement. The meeting will presumably reconfirm your August meeting's basic decision to keep a low profile in this period. But what does that mean for coal deliveries to power stations? Should they continue in January at the accelerated rate which has operated since the spring of this year? Or should they merely maintain the stock level already achieved? The Secretary of State for Energy's minute of 10th December rather oddly suggests the latter, not only for January but for the whole first quarter of 1982. This seems unnecessarily cautious. There has already been informed speculation in the press about the endurance which will be attained by February if the present accelerated delivery rate continues; and the miners have not reacted adversely. Indeed, continuing the present rate should marginally enhance deterrence this winter, as well as improving the prospects for an adequate level of stocks next winter.

16. You may like to note that the recent cold weather appears not to have materially affected stock levels at power stations. Deliveries were mostly able to continue; and the rise in domestic energy consumption was roughly balanced by a fall in industrial usage. But in a really severe, widespread and prolonged cold spell the railways could be badly hit and coal deliveries would fall. If they fell by 50 per cent, coal stocks would be lost at a rate of about 1 million tonnes a week. Go-slow action by railwaymen could of course have a similar effect.

OTHER STUDIES

17. If the Chancellor of the Exchequer raises his idea of MISC 57 studies in other key areas besides coal (and water, on which MISC 61 produced a comparable report in October) you need do no more than establish whether this would be generally welcome and if so instruct the Cabinet Office to report on the subject early in 1982. Such a report could cover questions such as which industries might best be studied (obvious examples are the gas and electricity industries and perhaps the railways, but the fuel oil distribution system and the supply of industrial gases are other key sectors which might also merit study); how best to align such work with, for

example, Treasury assessments of the prospects of pay in the nationalised industries; the case and scope for long-term strategy studies (which might best be undertaken by the CPRS); and whether the Services should acquire specialised equipment or undertake advance training not related to military requirements so as to be better prepared to cope with the consequences of industrial action in the key areas (a point which has arisen in a number of contexts in the two studies undertaken so far).

HANDLING

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18½

18. You will wish to consider this winter first. The Secretary of State for Energy should be asked how likely the mid-January ballot is to reject a strike; and failing that what level of pay concessions would be necessary to buy the miners off. The Secretary of State for Employment will also have views; as will the Chancellor of the Exchequer on the economic damage of a high settlement.

19. In the light of these assessments you should be able to establish whether the meeting is prepared to confirm this winter's strategy of peace at the lowest price negotiable. If not, you will need to focus discussion on the prospect of a February strike. What endurance would the Secretary of State for Energy expect power stations to have? Are any decisions needed before mid-January, eg to increase oil-burn? If so, is the cost acceptable to the Chancellor of the Exchequer? What endurance would the Secretary of State for Energy and the Secretary of State for Employment expect the miners to have? and how would they react to troops moving pithead coal? Do the Defence Secretary and the Home Secretary consider that troops should be used in this role from the start? Provided no immediate decisions are pressed for, discussion is likely to prove inconclusive and can only be adjourned until mid-January.

20. Turning to next winter, you should ask the Home Secretary to introduce the MISC 57 report. Most other Ministers will then wish to comment, starting with the Secretary of State for Energy. One way of ordering a complex discussion would be to distinguish: preliminary issues; the three central issues; and subsidiary issues.

21. Preliminary issues. Does the meeting accept the basic analysis and figure-work in the MISC 57 cover note? Specifically does it agree

- that Servicemen could in theory move pithead coal stocks but would in practice encounter very serious opposition?
- that we should therefore regard their potential efforts as a bonus factor rather than a central element in our strategy?
- that no preparations for additional imports or maximised oil-burn and gas-burn need be taken until a strike was imminent?

22. Central issues. Against the general background of the deterrence versus visibility dilemma

- does the meeting favour aiming for power station coal stocks of 27 million tonnes by next November or 23-24 million tonnes?
- is it agreed that ancillaries should be built up to a level equivalent to 23-24 million tonnes of coal? and that they should be brought in during a strike by troops if other methods fail?
- may top BR management be consulted about troops moving coal by train? That apart, is it agreed that the troops should not make advance preparations or reconnaissance, but should do the best they can once a strike had started, both to deliver ancillaries and (if it were so decided at the time) to move pithead coal stocks?

23. Subsidiary issues. Against the background of the meeting's main decisions

- are the costs of the build-up acceptable? Will the Boards co-operate in minimising their visibility?
- is it confirmed that preparations for next winter should in general await this winter's pay settlement? But meanwhile should the build-up of power station coal stocks continue at the present accelerated rate?
- if a long strike occurred, what should be done about the coal-burning sector of industry?

24. Finally, if studies in other key areas are suggested by the Chancellor of the Exchequer, discussion should be deferred on the basis suggested in paragraph 17 above (Cabinet Office to report).

CONCLUSIONS

25. You will need to record decisions on

i. the strategy for this winter;

ii. the acceptability of MISC 57's analysis for next winter;

iii. the acceptability of MISC 57's "best strategy", perhaps modified by aiming for 23-24 million tonnes of power station coal rather than 27 million;

iv. the rate of build-up pending this winter's settlement;

v. consultations with BR on military use of trains;

vi. how costs should be met;

vii. MISC 57 to monitor progress and report at 3 month intervals during 1982.

16th December 1981

R L WADE-GERY

ANNEX A

Endurance in February 1982

1. Power stations will have 18½ million tonnes of coal; less than now because of high mid-winter usage. This should yield 9-10 weeks' endurance; consumption should be less than the winter rate of 2 million tonnes a week, because of warmer weather after mid-March. Maximised oil-burn should add 3-4 weeks; less than next winter, because lower coal stocks mean less time in which to use oil as a partial substitute. Maximised gas should add ½-1 week; and maximised coal imports 1 week. Total, without Servicemen moving coal, say 15 weeks.

2. Useable pithead coal stocks should be 8 million tonnes. Servicemen could in theory move all this (by road) in the time available. If they did, it would add 5 weeks' endurance at summer consumption rates (1.6 million tonnes per week). But pickets could greatly slow them down.

3. These calculations assume no restrictions on electricity supply.

File

Fwd

cc. Duguid
Vereker

10 DOWNING STREET

From the Private Secretary

15 December 1981

ACCELERATED DELIVERIES OF COAL TO POWER STATIONS

The Prime Minister was grateful for your Secretary of State's minute of 10 December.

The Prime Minister hopes that it will be possible to reach a decision on the January to March level of deliveries at the 17th December meeting on the MISC 57 report. As regards the question about NCB EFL which your Secretary of State raises, the Prime Minister hopes that it will be possible for the Department of Energy and the Treasury to reach agreement on this issue.

I am sending copies of this letter to the Private Secretaries to the Chancellor, Home Secretary, Secretaries of State for Employment and Scotland and to David Wright (Cabinet Office) and Mr. Ibbs (CPRS).

M. C. SCHOLAR

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

Prime Minister

15 December 1981

MR SCHOLAR

Content? Yes mt

MCS 16/12

I would like to attend the meeting of Ministers to discuss the MISC 57 Report on "Withstanding a Coal Strike" on 17 December at 5.30pm. (As you probably know, we have been closely involved in this - the NCB/NUM problem generally and MISC 57's own work - since last summer).

TRW JH.

JOHN HOSKYNS

SECRET AND PERSONAL

c/c JV
AD

7

Prime Minister

WITHSTANDING A COAL STRIKE

We are to discuss the MISC 57 report on 17 December. The Home Secretary's covering minute of 6 December suggested that I might like to let colleagues have my comments before we meet.

Visibility

I was especially struck by the discussion in paragraphs 21 to 35 of the note by the Chairman of MISC 57 under the general heading of visibility and in paragraph 5 of the Home Secretary's minute. Assuming, for the moment, no strike this winter, a key judgment will be how far we can go and how high a profile we can adopt in building up stocks if we are not to provoke the NUM into early pre-emptive industrial action designed to thwart the strategy. The issues are fully discussed in paragraphs 21-35. I believe we shall have to consider very seriously whether the extra risks involved in the 27 million tonne option are worth running as compared with the somewhat lower profile of the 23-24 million tonne alternative.

Imports

The limited possibilities for increasing imports are discussed in the report. Although the literal interpretation of our existing commitment to the NUM to reduce imports is that it is strictly limited to this year, both the NCB and the NUM believe that we have agreed that imports would continue to be limited thereafter. Again on the assumption that there will not be a strike in February, I believe it would be highly provocative to the NUM if we decided not to limit imports again next year. I intend to propose, therefore, that the CEGB should limit their imports in 1982/83 to about the same level as this year,

three-quarters of a million tonnes, and that they should make arrangements to dispose of coal over and above that figure for which they at present have contractual commitments. The CEGB will need to be compensated for this as they were this year and I shall discuss this with the Chief Secretary in due course.

Financing Coal Deliveries

The Official Group discusses the financial arrangements that would need to be made with the Boards in connection with the various options. The difficulties should not be underestimated. We have imposed very strict financial limits on the NCB and the CEGB. The NCB have already made clear their reluctance to accept deferred payment terms for any extra coal delivered. Nor have we powers to require the CEGB to bear any additional costs. But, of course, as soon as decisions have been taken on the strategy we wish to follow, I will seek to persuade them to co-operate fully.

I am copying this minute to the Chancellor of the Exchequer, the Home Secretary, the Lord President, the Secretaries of State for Defence, Scotland, Industry, Transport and Employment and to Sir Robert Armstrong and Mr Ibbs.

NL

Secretary of State for Energy
15 December 1981

SECRET AND PERSONAL

Prime Minister

MCS 14/12

PRIME MINISTER

WITHSTANDING A COAL STRIKE

In his minute of 6 December, the Home Secretary suggested that I might offer my views on the issues revealed by the report of the Official Group on Coal (MISC 57) in advance of our meeting on 17 December.

2. We do not yet know how and when the current pay issue will be resolved. If we have to face industrial action this Winter there will be more immediate questions and any action to build endurance for the longer term will inevitably be postponed. If however a peaceful settlement is reached with miners either rejecting advice to authorise industrial action or, with its threat, settling on an improved offer, there is little doubt that the outcome of the NUM election increases the risks ahead of industrial action in the industry. I very much doubt that Scargill and his supporters among the leadership would be able to mount action on a wholly political issue, but they will be found very ready to demonstrate on any industrial issue of concern to miners that there is a fight to be won and ready too to campaign for industrial action in defence of miners' interests as they interpret them. Once industrial action began, its purpose could be broadened and the support of other unions and some political grouping would be readily forthcoming. As an example, Scargill has made clear that he is very ready to defy industrial relations law and there is little doubt that he would welcome an opportunity to do so.

3. In providing for endurance, we must avoid providing Scargill with the argument that we are preparing for confrontation. He would quickly

use it to claim that the Government was determined, for example, to reimpose an accelerated closure programme, increase imports, etc. On such issues there is little doubt that he could demand assurances with the developing threat of industrial action which a majority of miners could well be found to support. At the very least, he would ensure that any extension of endurance was frustrated.

4. It might just be possible to secure coal stocks of 27 million tonnes without it becoming a potentially explosive issue. But we cannot be sure and there are clear risks. Moreover, I would need to be persuaded that the additional 2 weeks endurance (without the use of Servicemen) this option provides measurably increases the deterrent effect of endurance beyond the option of maintaining this year's accelerated deliveries. This latter option, not entirely without risks but in my view likely to be found practicable, would enable us to make clear at the right time that a strike could be endured, without electricity cuts, for at least 4 months. The use of Servicemen would provide the possibility of yet longer endurance. We would hope that this would influence a ballot. The marginal increase in endurance that the 27 million tonnes option, if found practicable, could provide would not materially increase the deterrent effect.

5. On this same analysis, I am sure we should not authorise advance reconnaissance by Servicemen, but we should aim for a stock of ancillary materials equivalent to 23-24 million tonnes of coal.

6. I am sending copies of this minute to the Home Secretary, Chancellor of the Exchequer and the Lord President; to the Secretaries of State for Defence, Scotland, Industry, Transport and Energy; and to Sir Robert Armstrong, Mr Ibbs and Mr Wade-Gery.

NT

N T
14 December 1981

SECRET

2

11 December 1981

Policy Unit

Prime Minister
For this week-end, I am submitting only this note, and the papers mentioned in para 1. You have a meeting on these issues next Thursday.
MAP 11/XII

PRIME MINISTER

WITHSTANDING A COAL STRIKE: THE MISC 57 REPORTS

1. There are a lot of papers. We think that the most useful ones are:

   1. The Home Secretary's minute, which summarises the issues very clearly.

   2. The first three paragraphs, and paragraphs 40 to the end, of Robert Wade-Gery's note covering the main reports.

2. We do not think you need to look at the detailed reports on the use of servicemen and on building power station endurance. We expect that Nigel Lawson will put in a note before the discussion.

3. These reports are the outcome of many long and difficult official discussions, in which the Policy Unit has participated actively, under Robert Wade-Gery's very helpful chairmanship. The closer we get to the point of decision, the clearer it is that senior officials in Energy and Employment don't think enhanced endurance is worthwhile. They seem to reflect the approach of the Howell/Prior regime rather than what we hope is the most positive Lawson/Tebbit regime.

4. The decision taken by colleagues in July was clear: we would go for 20 weeks' power station endurance by November 1982, but would take no action until after this year's pay settlement. The delay in this year's settlement does mean that it is harder to build up endurance by next year. But the report makes it clear that it is still feasible:

   - Power station coal stocks can be increased, by accelerated deliveries from pitheads, to the maximum possible without constructing new storage capacity. That means building up to 27 million tonnes.

   - Other measures identified in paragraph 41 would then allow for the 20-week target to be met.

SECRET

5. The point for Ministers to decide is whether the extra deterrent effect of going into next year's pay negotiations with at least 20 weeks' worth of endurance up our sleeves justifies the risks and costs involved.

6. We think it does. There is a risk of provoking the miners into pre-emptive action, but that would not be disastrous: we would simply back off. The costs are small (around £50 million) compared with the benefits. Furthermore, as recent developments show, whatever the outcome of the current round, next year's pay negotiations with the miners are bound to be difficult. Scargill will be looking to win his spurs. There will be other factors at work elsewhere in the public sector tending to lead pay bargainers to want to recoup lost ground.

7. What is proposed in paragraph 40 is no more than what was agreed in the summer; the "lower profile" options described in paragraph 44 are really do-nothing options.

8. The work that has been done in preparation for industrial action in the coal and water industries has been useful. The Chancellor may suggest that similar work be done in other areas. We agree, and would like to participate. Our experience is that a considerable impetus from the centre is needed to get adequate preparations made.

JOHN HOSKYNS

Prime Minister

Mr Lawson's paper, below, can best be considered at the December 17 meeting. Agree?

MAP Yes 11/XII

SECRET

MR PATTISON

All written before the current weather! I believe present power station stocks are still well below 1978 stocks. MAP

cc Mr Hoskyns
Mr Duguid

Accelerated Deliveries of Coal to Power Stations

It is confusing that Mr. Lawson has minuted the Prime Minister about the level of deliveries from January to March 1982, separately from the advice he will be putting in on the wider decisions that have to be taken on the MISC 57 report. I have discussed the position with the Department of Energy: the problem is that the CEGB and the NEB are becoming increasingly restive at the financial implications of holding the current levels of stock, and Mr. Lawson is firing a warning shot about the need to raise the NCB's EFL so that the coal can be delivered to the CEGB on deferred payment terms (i.e. payment when the coal is used). I understand that Mr. Lawson does not expect a decision on this in advance of the meeting planned for 17 December; and in any case I would expect the Chief Secretary to have something to say about the proposal. The Prime Minister ought however to be aware of these two points:-

1) The nettle of the cost of stockholding will have to be grasped; but if the consequence is to be an increase in the NCB's EFL we must make sure that there is no announcement in the course of the next few weeks, when it will inevitably be interpreted as a sweetener in the current pay negotiations. I understand that there would be no difficulty in deferring the announcement until later in the spring.

2) Mr. Lawson recommends that we ask the Boards simply to preserve the increase in power station coal stocks already achieved, not to continue with the enhanced rate of deliveries that took place in November and December. That proposal goes to the heart of the decision that has to be taken on the MISC 57 report, where, as the Prime Minister will know from John Hoskyns' minute of today's date, the Policy Unit

/are

SECRET

are quite clear that the enhanced rate of delivery should be continued throughout 1982 in order to provide us with a deterrent against a miners' strike in the next pay round.

11 December 1981

Prime Minister 2.

CONFIDENTIAL

MAP 4

MR PATTISON

cc Mr Hoskyns
Mr Duguid

11/XII

NUM Wage Negotiations

Mr. Moore's letter of 10 December to the Chancellor confirms the details of recent developments in the miners' pay negotiations that we have seen reported in the media. I have had a word with the Department of Energy about the prospects, and they are not entirely pessimistic: as John Moore reports, the NCB still think there is a reasonable chance that their offer will be accepted at the ballot.

I have clarified what happens if the NCB's offer is rejected. In the event of a 55% majority for industrial action, the NUM will seek an improved offer. But the NUM Executive would then have authority to call a strike even in the face of an improved offer. Only when the Executive considered that the offer had been sufficiently improved would they put the new offer to a further ballot. So it is a reasonable presumption that any improvement in the offer would have to be substantial.

No doubt Ministers will want to discuss this year's pay negotiations in the course of their meeting on 17 December to consider the MISC 57 report. But there are no decisions to be taken until the outcome of the ballot is known.

N.

11 December 1981

CONFIDENTIAL

SECRET

cc JV
AD

3

Prime Minister

ACCELERATED DEVLIERIES OF COAL TO POWER STATIONS

We agreed last summer that NCB coal deliveries to power stations should be accelerated by bringing forward coal from the winter to the summer programme within the proposed total for the year. I am happy to say that our aim of raising power station stocks by 1 November by at least 1½m tonnes was achieved without attracting undue attention.

As you agreed in response to David Howell's minute of 2 September (your Private Secretary's letter of 9 September) the Boards have continued with enhanced deliveries in November and December and I hope that by the end of this month some 2m tonnes of additional coal will be in stock at power stations, bringing total power station coal stocks to 20½m tonnes.

Since the Boards normally arrange their delivery schedules a month in advance and are about to consider the January programme, we need to take an early decision on the level of deliveries in January-March.

If we do nothing, the Boards will reduce deliveries in these months so as to offset the additional 2m tonnes already delivered. I therefore propose that we should ask the Boards to continue deliveries during January-March at the rate intended to preserve the increase expected by the end of this month. This would involve deliveries of up to 2m tonnes more coal than would otherwise be the case and would allow us to consider the recently circulated MISC 57 reports, on which I will be commenting separately, in the knowledge that the addition to stocks we have managed to secure will not be eroded in the New Year, as would otherwise occur.

However, there is no way in which the CEGB can finance this additional coal purchase within their existing 1981-82 EFL. Nor do they wish to see an increase in their EFL in order to buy more coal which they do not believe they need. In short, they are willing to accept deliveries at the proposed level only if payment for the extra coal is deferred until 1982-83. I therefore propose that we should not increase the electricity supply industry's EFL but should accept that the additional deliveries should be on deferred payment terms.

The NCB, however, have been counting on receiving prompt payment for $1\frac{1}{2}$m tonnes of additional coal in order to keep within this year's EFL. I therefore propose that we now agree to raise the NCB's EFL by the cost of an extra $1\frac{1}{2}$m tonnes of coal (some £60m). I would also encourage the NCB to deliver the further $\frac{1}{2}$m tonnes necessary to preserve the increase to be achieved by the end of December although without making any corresponding adjustment to their EFL.

If you agree, officials will also need to consider whether the handling costs of the further deliveries can be met within the £10m increase in the NCB's EFL and grant which we agreed in May and, if not, what increase is needed. Any increase is likely to be very small.

I should be grateful if you and other colleagues could let me know whether you agree with these proposals. It is only by giving assurances now about the financial arrangements that will apply that we can maintain the increase in stocks that has already been achieved and thus avoid prejudicing the MISC 57 strategy we are shortly to discuss.

I am copying this minute to the Chancellor, the Home Secretary, the Secretaries of State for Employment and Scotland and to Sir Robert Armstrong and Robin Ibbs.

NL

Secretary of State for Energy
10 December 1981

cc JV
cc Mr Ingham

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

Prime Minister
An analysis from John Moore of the state of the NCB/NUM negotiation.
MAP 11/XII.

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

10 December 1981

Dear Geoffrey,

NUM WAGE NEGOTIATIONS

The NUM's Executive met at 10.00 am this morning. At 10.05 am the Executive invited Jimmy Cowan to come over to the NUM headquarters to "clarify" the Board's offer.

When Cowan and the other Board members arrived they first had a private meeting with Gormley. Gormley told them that there was absolutely no chance of the Executive accepting a marginally improved offer. As reported in Nigel Lawson's letter most of the moderates were still determined that there should be a ballot, in which Arthur Scargill should be defeated. Gormley nevertheless urged Cowan to put on the table the extra £2m which Cowan had privately mentioned to Gormley, but which had not been put forward on 8 December. His argument, which Cowan accepted, was that when the issue went to ballot the men should be quite clear that there was no more money available. If the men felt there were a few more million pounds available they were much more likely to be tempted to endorse an Executive resolution to reject the offer.

Cowan and his colleagues subsequently joined the full Executive and "clarified" the offer, which now amounted to some £102m or the equivalent to 9.3% on basic rates. In discussion there was strong pressure for the Board to increase its offer to compensate the men fully both for the units of inflation forecast in your recent statement and the measures which you announced last week. Cowan reiterated there was just not any more money available.

After the Board members withdrew there was first a vote on a resolution to accept the revised offer. This resolution only received 5 votes in favour out of 24 voting NEC members. The NEC then adopted the recommendation, which you will have seen on the tapes and the Press, urging the men to reject the Board's offer and empowering the Executive to call on members to take strike action if necessary.

It seems almost certain that the Special Delegate Conference (SDC) will adopt the Executive recommendation at its meeting on 18 December. The fact that the issue will be put in a direct manner to the men should enhance the chances of the men rejecting the SDC's recommendation and in effect voting for acceptance of the Board's offer - an outcome which Arthur Scargill has publicly recognised is possible. On the other hand the fact that a ballot has been delayed until 14

or 15 January will give the extremists time to cause discontent in the coalfields. In any case the men are likely to become increasingly restive about having to wait some long time for their increased wages and back pay.

The Board's preliminary assessment is that there is still a better than 50% chance that the men will accept the Board's offer. Even if the Board's offer is rejected in a ballot, a strike could not take place before about 25 January. In the event of rejection the NUM are in any case likely to first seek a better offer from the Board before calling a strike.

In the weeks ahead the Board will both be keeping in close touch with opinion in the coalfields and doing their utmost to put over the very attractive nature of their offer to the men. We shall, of course, be keeping in close touch with them on both topics.

I am sending copies of this report to recipients of the earlier report.

Yours ever

John

JOHN MOORE

CONFIDENTIAL

AD
J.V.

(1)

Prime Minister

To see

MCS 9/12

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

Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Whitehall
London SW1

8 December 1981

Dear Chancellor,

MS

NUM WAGE NEGOTIATIONS

As you will have seen from press reports the NUM today again rejected the Board's offer of £100m and has decided to call a Special Delegate Conference.

The background is that during the last two weeks the Board have been lobbying the moderates on the Executive with the proposition that, if the Board increased their offer by £3m-£4m (equivalent to another 0.3% on basic rates), the moderates would urge the NUM's National Executive Committee to recommend its acceptance in a pithead ballot. The Board obtained the agreement of 7 or 8 members of the Executive to this approach.

In the event the meetings today were disrupted first by the weather and then by the announcement of the outcome of the Presidential ballot. The snowstorm meant that a number of members of the NUM's Executive did not join in the negotiations before the meeting broke up for lunch at noon. During the negotiations the left made considerable play of the recent economic package, claiming that they would need an extra £7 per week to offset its cost. Cowan pointed out that the increased charges and rents did not come into effect until April, and the package had not affected the Board's position that it did not have any more money to offer.

As the outcome of the ballot became known, Joe Gormley decided to announce it formally at 1pm. When the negotiations resumed at 2.15pm, it soon became clear that the so-called moderates were so incensed by the outcome of the ballot that they were in no mood to negotiate seriously. Joe Gormley had clearly lost control of the moderate wing of the Executive. The negotiating meeting broke up without the Board having increased their offer from £100m.

At a subsequent meeting of the NUM Executive a resolution proposed by the left was adopted which called for a Special Delegate Conference, which would be recommended to call a ballot of the membership on a resolution rejecting the NCB's offer, and authorising the Executive to call industrial action, including strike action if necessary. The date of the conference has not been settled, but the NUM have told my officials that it will certainly not be before 15 December, and may not be before 21 December. In all probability, a ballot could not be held before the week beginning 4 January. The Executive resolution also called for no more negotiations with the Board. Joe Gormley walked out of the Executive meeting before it ended.

There is a small chance that on Thursday the Executive will decide to hold further meetings with the NCB, despite their resolution of today. In these circumstances the Board would probably be willing to increase their offer to £104m - £106m, if they could be reasonably certain that this would win the Executive's endorsement of the offer. Such an offer would be equivalent to 9.7% on basic rates or 7.7% on earnings.

More probably the Executive will confirm its decision to proceed to a Special Delegate Conference (SDC). Following Scargill's victory the tactics of the moderates on the Executive seem to be to hope the SDC will recommend rejection of the Board's offer but that the offer will nevertheless be accepted by the men in a pithead ballot. The moderates would see this as a major initial victory over Scargill.

The Board consider this to be a risky approach, even though they still believe that their current offer would be accepted in a pithead ballot. The Board are therefore urging the moderates to show leadership and to stand out both in the Executive and the SDC for votes in support of the Board's offer. The Board are doubtful whether the moderates will be willing or able to show such leadership. A major problem has been Joe Gormley's waning power. He has not exerted himself during negotiations, as was made clear by his holiday in the West Indies in their midst. Even when he does try to exert himself, as outgoing President he carries much less weight than formerly.

In sum, the wages issue seems unlikely to be resolved until the New Year. There are still grounds for hope that a reasonable settlement will eventually be reached without serious industrial action or the Board having to make a significantly higher offer. In any event, there will be no industrial action before the Christmas break, and almost certainly a normal resumption of work immediately after the holiday season. But the dragging out of the negotiations obviously increases the danger of eventual industrial action. I will, of course, continue to keep you and other colleagues closely in touch with developments.

I am sending copies of this report to recipients of previous reports.

Yours sincerely

Janet Chadwick

P.P. NIGEL LAWSON

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

CONFIDENTIAL

Not final coal

Not md. VB

c Vereker. Duguid Ingham

10 DOWNING STREET

From the Private Secretary

7 December 1981

NUM Wage Negotiations

Many thanks for your letter of 3 December about the NUM wage negotiations.

The Prime Minister, who saw your letter over the weekend, commented that in the circumstances she agrees with the line your Secretary of State is now taking.

I am sending copies of this letter to the Private Secretaries to the members of E, Muir Russell (Scottish Office), John Craig (Welsh Office), Gerry Spence (CPRS) and David Wright (Cabinet Office).

MCS

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

CONFIDENTIAL

VB

cc. S. Vereker.

2

SECRET AND PERSONAL

COPY NO 1 OF 4 COPIES

Prime Minister

I have set up an ad hoc meeting on Thurs 17th Dec (Home Sec. Energy Sec. Transport, Chancellor, Defence, Employment, Scotland as last time) to discuss if you so wish.

Agreed to go ahead with meeting?

MCS 10/12

Yes - after Christmas I hope

PRIME MINISTER

WITHSTANDING A COAL STRIKE

To Energy 5/8/87

With my minute of 22nd July I circulated to colleagues the first report by the Official Group on Coal (MISC 57) on withstanding a coal strike in 1981. Since then we have decided, at your meeting on 4th August, to approve in principle the then Secretary of State for Energy's programme for building up endurance for 1982; but to take no action until after this year's pay settlement. Meanwhile MISC 57 were asked to review the details and costs of the programme and to consider the role of coal imports; and it was also agreed that they should study the scope for using troops to move pithead coal stocks during a 1982 strike, as well as ancillaries. Their further reports, on all these 1982 issues, are now attached; the main points, and the issues for decision, are summarised in the Chairman's covering paper.

2. Several important new factors have come to light. First, we do not need to spend money on ensuring oil supplies in the event of a coal strike; by starting when the strike is imminent we could still get enough to maximise oil burn throughout its duration. This is very important, since it eliminates the one really big element of additional public expenditure which the whole programme would otherwise have involved. Second, coal imports during a strike could perhaps add about one week to endurance. Third, the troops probably do have the physical capacity to move during a strike not only any necessary ancillaries but also all the usable coal likely to be available at pitheads; but in the case of coal their ability actually to use this capacity might be severely restricted by law and order problems arising from pickets.

3. In the light of these and other factors, we look like being able to achieve power station endurance of something between 16 and 24 weeks by November 1982, even without restricting electricity supplies.

4. Given the long lead times involved, we now need to take firm decisions on what sort of revised programme to go for. There are three variables.

a. What level of power station coal stocks should we aim to achieve by November 1982? The absolute maximum (something less then 31 million tonnes)? the maximum achievable without new construction works (27 million tonnes)? the level produced by simply continuing this year's accelerated deliveries (23-24 million tonnes)? or the present level (20½ million tonnes)? Officials recommend 27 million tonnes.

b. What level of ancillaries should we aim to have at power stations by November 1982? Enough for 27 million tonnes of coal? or enough for 23-24 million tonnes? Officials recommend the latter. (Ancillaries are easier than coal to supply by last-minute improvisation, and harder to stockpile in advance because of safety regulations.)

SECRET AND PERSONAL

c. Should the troops be allowed to start reconnoitring now the sites where they would have to operate, in order to identify practical problems and consider advance works to ease them? Officials recommend that they should not.

5. In all three cases we have to balance the advantages of preparedness against the dangers of visibility along the way. The more we succeed in doing, the greater the deterrent effect next autumn; but the more we try to do, the greater the risk of provoking the unions into frustrating us before we get there. Cost is also a factor, since it will be greater the more we do. But it is no longer a dominant one, since tens rather than hundreds of £millions are now at issue; major expense would not be incurred unless a strike occurs, when it would fall on the consumer rather than the Government.

6. There could also be some interaction between cost and visibility, if any of the Boards concerned seek to insist that extra expense incurred by them must be covered by special Government grant of which Parliament would have to be informed. The greater the cost involved the less ready the Boards will be to handle it discreetly, eg by absorption, loan finance or deferred payment. Much will therefore depend on how far the Secretary of State for Energy expects to be able to carry them with us.

7. Officials have cast their recommendations in the form of a preferred option, with higher and lower profile variants. That is useful as an aid to focussing discussion. But the deciding factor will need to be political judgement, by Ministers, rather than official analysis. This will be a matter for the meeting which your office has kindly arranged for 17th December. In preparation for that the Secretaries of State for Energy and Employment, whose Departmental interests are particularly involved, may like to indicate how they personally view the matter.

8. Whatever we decide, implementation should begin as soon as this year's pay settlement with the miners is reached. That may be in the next week or two; or it may now slip until January. But the later it is the quicker we need to be able to move thereafter, if options are not to be closed off merely by the passage of time. Either way, therefore, our 17th December meeting looks like being well timed. Once implementation is under way MISC 57 will need to monitor progress and keep us informed.

9. One final point is worth noting. The aim of our preparations is to deter. Deterrence will not work unless it is credible. But credibility cannot guarantee success. If deterrence failed and a strike occurred, our preparedness would greatly enhance endurance. Even so, enduring would not be a painless process. Electricity prices would rise; public morale would suffer; lack of coal for the 2 per cent of manufacturing industry which burns it as a primary fuel would produce a wave of bankruptcies unless the Government embarked on an open-ended financial rescue operation; and sympathetic strikes by other unions could seriously damage the economy at other points. None of this weakens the case for making the sort of preparations we have in mind. But there are no grounds for euphoria.

SECRET AND PERSONAL

10. I am sending copies of this minute and the attached documents to the Chancellor of the Exchequer and the Lord President; to the Secretaries of State for Defence, Scotland, Industry, Transport, Energy and Employment; and to Sir Robert Armstrong, Mr Ibbs and Mr Wade-Gery.

WW

6 December 1981

SECRET AND PERSONAL

WITHSTANDING A MINERS' STRIKE: 1982

Note by the Chairman of the Official Group on Coal

INTRODUCTION

1. At their meeting on 4 August under the Prime Minister's chairmanship, Ministers endorsed in principle the programme for increasing power station endurance to about 20 weeks by November 1982 set out in the then Secretary of State for Energy's minute to the Prime Minister of 31 July - hereafter called, for convenience, the July programme - but decided that no steps to implement it should be taken until after the miners' 1981 pay settlement. Briefly, the July programme contained three elements. First, to increase power station coal stocks to the maximum physically possible by next November; in July this was assessed as 31 million tonnes (including Scotland), equivalent to about 15 weeks endurance (present stocks provide about 10 weeks endurance), but it is now known to be significantly less. Second, to make good the gap between that and the desired level of about 20 weeks endurance by maximising power station oil stocks and placing advance orders for further supplies of oil, as well as relying to a very limited extent on extra gas burn. Third, to increase stocks of ancillary materials to match fuel stocks; this would require the construction of increased storage facilities at the power stations and in the case of some ancillaries an increase in on-site manufacturing capacity. The Official Group on Coal (MISC 57) were instructed to undertake further work on the details of the July programme, including its cost, and also to consider further the scope for increased coal imports. The Group had already undertaken, in the light of their first report circulated under cover of the Home Secretary's minute of 22 July to the Prime Minister, to consider further whether it would be possible to use Servicemen to move coal from pithead stocks to power stations in the event of a coal strike in 1982. Subsequently, following the minute of 2 September from the Secretary of State for Energy to the Prime Minister, it was agreed that they should also consider the scope for using Servicemen to replenish power station stocks of ancillary materials, in case it proved impossible (as seems likely) to construct sufficient extra storage facilities at the power stations by next November and the Electricity Boards found it impossible to replenish stocks by other means.

2. Two reports by the Official Group are now attached. One considers the scope for using Servicemen to replenish stocks of both ancillary materials and coal; and the other considers in detail how the July programme might be implemented. As

before, the Group involved representatives of the Prime Minister's Office, the Treasury, the Home Office, the Departments of Energy, Employment, Industry and Transport, the Scottish Office, the Ministry of Defence and the Central Policy Review Staff, under Cabinet Office chairmanship. The two reports raise closely related issues. The purpose of this covering note is to summarise these and to identify the options which seem to be open to Ministers.

OBJECTIVES

3. Decisions on the main elements of the attached reports depend on the objectives sought. We have assumed that Ministers' principal objective is not to enable the Government to face a lengthy miners' strike with equanimity - the total costs involved would be bound to be high whatever the terms of the eventual settlement - but rather to seek to redress the balance between the Government and the National Coal Board (NCB) on the one hand and the National Union of Mineworkers (NUM) on the other, in such a way as to deter the miners from striking. This might happen if the miners became aware that a much longer period of national endurance had been achieved or that there was a workable plan which could not be frustrated to achieve such endurance from the onset of a strike; some of them would then be likely to take more account of the costs to them of starting a strike and of its likely duration before their objectives could be attained; and this should be reflected in any pay ballot. But if it became too apparent that as a matter of Government policy endurance was in process of being enhanced, they might well be provoked into pre-emptive industrial action to prevent this. Successful enhancement of endurance may therefore depend on aiming for a level of power station stocks which is less than the theoretical maximum.

THE PRINCIPAL CONSIDERATIONS

4. Decisions on the next steps turn on two principal considerations: the "visibility" which many of the measures discussed in the attached reports would inevitably involve; and the costs. These are discussed below.

5. But there are a number of preliminary issues. First, how far will Servicemen prove able to replenish power station stocks of coal and ancillaries? This will clearly affect decisions on other options for increasing power station endurance. Next, what are the implications of a lengthy coal strike for industrial and domestic users, as opposed to power stations? Finally, what

approach might best be adopted in respect of coal imports and oil supplies?

THE USE OF SERVICEMEN

6. Our report below on the use of Servicemen concludes that they probably have the physical capacity to move by road all the useable coal from pithead stocks to the power stations during a miners' strike starting in November 1982, provided that work on doing so began as soon as a strike started. The assessment is that by next November useable pithead coal stocks are likely to amount to no more than about 10 million tonnes, even if the July programme is not implemented. But if the July programme were implemented as fully as possible useable pithead stocks next November are likely to fall to about 5 million tonnes and their impact on endurance might then be judged too small to make the use of troops worthwhile.

7. Conversely, if it is the case that the Services have the capacity to move all the pithead coal stocks to the power stations during the course of a miners' strike, the question arises whether it is worth pursuing the July programme given the costs involved and the problems of visibility which it raises, both of which are discussed below. The answer to this question is two-fold. First, without undertaking the various consultations discussed in the attached report we cannot be sure that the Services would indeed have the capacity to load and unload the coal at the pitheads and power stations and be able to maintain the tight delivery schedule (1 lorry every 6 minutes, 24 hours a day for 12-14 weeks) which would be required if the CEGB preferred strategy of concentraing on the 20 base load power stations were adopted. Senior CEGB management think that the best that might be possible is a delivery rate some 30 per cent lower. MOD, on the other hand, are optimistic that, in so far as the power stations themselves are concerned, the delivery rate is practicable. They have not, however, had the opportunity to check either the NCB pithead dumps or the implications of such delivery rates for the roads between the pitheads and the power stations. Construction work might also be required at the power stations to improve access by road or to create better unloading facilities. But the problems of visibility raised by these consulations and engineering works are very serious and certainly worse than those involved in the implementation of the July programme. In particular it would quickly become apparent to the trades unions that the use of Servicemen was already actively being considered, since some of the consultations and site inspections would have to be undertaken by military officers. The second answer is that the scale of picketing and obstruction at both power stations and pitheads, if Servicemen are used to move coal, could give rise

to very serious public order problems. These might well mean that the use of Servicemen over a long period would become unacceptable to public opinion. For the operation to be successful, moreover, Servicemen would have to be involved right from the start of a strike, at a time when power station coal stocks appeared high and there was no immediate sense of crisis, which might make it difficult publicly to justify the immediate proclamation of a State of Emergency, which would be necessary before lorries could be requisitioned. Public order problems would in any case be liable to reduce drastically the amount of coal which the Services could succeed in moving from the pitheads to the power stations, since the police might find it impracticable to maintain a way through the picket lines round the clock on all sites. If, say, only 4-5 million tonnes of coal were to be moved by the Services, endurance would be increased by only about 2-2½ weeks. There is also the strong possibility that power station workers would refuse to handle coal brought in by Servicemen under these conditions.

8. The best approach might therefore be to keep the option in reserve, without undertaking any consultations (except with BR) or any advance preparations. The need to minimise visibility at this stage seems more important than the possibility that unsurmountable logistical difficulties might emerge over the use of Servicemen once a miners' strike had started. Servicemen could on this basis be used to replenish any gaps that might emerge in power stations' stocks of ancillary materials during a strike; and to transfer such stocks of useable coal as might remain at the pitheads after the full or partial implementation of the July programme, if at that stage their use seemed logistically possible, worthwhile in terms of endurance offered by the remaining coal stocks and acceptable to public opinion. This should be well within the capacity of the Services, even allowing for the uncertainties due to the lack of consultations and advance planning and to the unknown impact of picketing. Indeed, if pithead coal stocks are low because of the implementation of the July programme, Servicemen might have some spare capacity. This could, in principle, be diverted to assisting coal-dependent industries or domestic consumers most severely affected by a lengthy miners' strike, although we have not investigated the practicality of doing so.

9. We do however recommend consultations about the use of Servicemen in one area, where we are confident there would be no leak. These would be with the top management of British Railways, about the possibility of Servicemen moving pithead coal to the power stations by rail rather than road. Our preliminary assessment is that this would not be practicable. But if it were, complex preparations would be

necessary and these could not be left to the last minute.

INDUSTRIAL AND DOMESTIC COAL USERS

10. Our earlier report identified power stations as the critical factor in national endurance in a miners' strike. But if power station endurance were built up to eg. 20 weeks or more, two other danger areas would need to be considered, viz the endurance of coal-burning industry and the impact on domestic coal users. Coal has declined in importance over the years but it remains a significant source of energy for both industrial and domestic purposes. Industrial use of coal is running at about 300,000 tonnes per week and the Government is seeking, through a grant scheme run by the Department of Industry, to persuade industrial consumers to switch to coal from other fuels. Normal domestic winter consumption is about 150,000 tonnes per week. These figures are small compared to the normal winter power station consumption of about 2 million tonnes per week. Nevertheless a prolonged miners' strike could have very serious consequences for industrial and domestic users, including possible bankruptcy or long term loss of market share for companies reliant on coal. About 100,000 people are employed on processes directly reliant on coal and the contribution of these activities to manufacturing output is estimated to approach 2 per cent of the total value.

11. The large coal-burning companies fall mainly in the iron and steel, aluminium smelting, cement and paper and board industries. Their significance within each industry varies. In the iron and steel sector the British Steel Corporation is largely dependent on coal (40 per cent of it special coke, which is imported) because of its heavy involvement in crude steel making by the hot metal process; but the private companies are much less dependent on coal, because they are more concerned with the finished product end of the industry and also because their crude steel manufacture is generally by the electric arc process. One of the three aluminium smelting companies in this country uses coal (about 20,000 tonnes per week) to generate electricity, but it could in principle take its power supplies from the national grid. The position in the cement and paper and board industries is less clear, but the companies using coal would have difficulty in switching to alternative fuels.

12. On the basis of stock levels in the middle of 1981 it seems likely that nearly all the major coal using industries would have about 10 weeks endurance. The only exception is the iron and steel industry where endurance is estimated to be about

6 weeks. It is impossible to say in what position many small or medium sized companies in these and other industries would find themselves.

13. In the event of a miners' strike companies would naturally take steps to eke out stocks, although this would probably not have much impact on endurance; and some might try to arrange coal imports, although these could well be "blacked" by the seamen or the dockers. But since most of the firms in the above categories are already hard pressed financially, their more likely reaction would be to do little or nothing at first in the hope that the strike would be resolved. Later, when their position became critical, they would press the Government to provide help and/or to end the strike. It would be possible in principle for the Government to offer financial assistance; any losses incurred by the British Steel Corporation would, in any case, ultimately fall to the Government. But it would be very difficult to confine such assistance only to this group of firms, when many others may be suffering in some way; and the costs (which we cannot estimate) would certainly be very high.

14. The main effect on industry is therefore likely to be financial difficulties and a loss of market share which could prove permanent, leading even to bankruptcy for a proportion of the firms reliant on coal. The knock-on effect is likely to be less serious for other industries, since consumers of the products of the main coal-burning companies would be able to find alternative sources of supply without too much difficulty either at home (from manufacturers not reliant on coal) or abroad.

15. As for domestic consumers, their stocks and those held by coal merchants are likely to be relatively low (about 4-6 weeks). But only 10 per cent of households are now largely dependent on coal for heating and hot water and most of these could probably switch temporarily to electricity or other fuels. The NUM would be likely to co-operate, as they have in past strikes, in arranging sufficient supplies for priority users such as the old, the sick, hospitals, schools etc.

COAL IMPORTS

16. The Government are committed by the assurance they gave the NUM in the tripartite discussion in February and March not to allow Central Electricity Generating Board (CEGB) coal imports to exceed $\frac{3}{4}$ million tonnes during the 1981-82 financial year. No commitments have been given in respect of later years, although both the NUM and the NCB may regard commitments in respect of 1982-83 and beyond

as being implicit in the existing agreement, and the NUM can be expected to campaign vigorously for coal imports to be kept to this level or further reduced. If Ministers were nonetheless to decide that imports should be increased, the Electricity Boards would have to open negotiations with suppliers early in the New Year so that supplies could begin in May, since the availability of coal supplies at short notice is likely to be the main constraint. CEGB stocks held abroad and committed contracts would guarantee 3 million tonnes, and a further 4-5 million tonnes at a cost of £2-300 million would probably be available between May and November, which together could in theory add 3-4 weeks to endurance.

17. The power stations, especially those on Thameside, have the capacity to handle all the coal imports which are likely to be available. But storage and transport would present problems. Coal deliveries at the rate envisaged in the July programme would by themselves increase power station coal stocks to the maximum level physically possible by next November; and the railways could not handle both coal imports and maximum deliveries from the pits. Any increase in imports would therefore be at the expense of some coal deliveries from the pits to the power stations. Any significant increase in coal imports would also be viewed by the miners as a particular provocative step. We therefore do not recommend it. But in the event of a miners' strike next November it should be possible, if other resources could provide endurance of 20 weeks, to arrange to import up to about 3 million tonnes at a price. This would increase endurance by about 1 week. Any threat that these imports would be "blacked" by seamen could probably be overcome either by using foreign ships or by calling in the Navy to requisition ships. If deliveries were concentrated at coastal power stations "blacking" by dockers would not arise. But there would remain a real risk that power station workers might not be prepared to unload or burn coal delivered in this way.

OIL AND GAS

18. The July programme proposed maximising existing oil stocks (requiring the purchase of about ½ million tonnes) and negotiating contracts for the supply in the autumn of a further 4½ million tonnes, so that in the event of a miners' strike next November there would be sufficient oil supplies for power station oil burn to be maximised immediately a miners' strike began, thus extending by about 5 weeks the endurance offered by power station coal stocks. The construction of some extra oil storage facilities would be required.

19. However, work undertaken since July has demonstrated that sufficient oil supplies for maximum oil burn in power stations would almost certainly be available at short notice, although at a higher price. We therefore recommend that no steps should be taken to increase oil stocks, to arrange supplies or to provide extra storage facilities before a miners' strike is clearly imminent. This ought not to reduce endurance. But it will avoid difficult problems of visibility; and also the possibility of significant public expenditure (several hundred million pounds would be involved in the advance purchase and ordering of oil) being wasted if no strike occurred.

20. We similarly recommend no advance preparations or expenditure in respect of gas supplies. Maximum gas burn could probably be arranged once a strike began, at the cost of some disruption to industry. But only up to 1 week's endurance would be at stake if it could not.

VISIBILITY

21. As already noted the possibility of consultations and preparatory work in respect of the use of Servicemen raises the question of how far the Government's preparations can be allowed to be visible. This is also true of the fullest possible implementation of the July programme (even without its advance oil elements). Construction work would be necessary to increase storage facilities for coal and ancillaries and this would require consultations with the NCB and the Electricity Boards at middle management level. Planning authorities would have to be consulted in detail and the trades unions informed under the agreed consultation procedures. To increase power station coal stocks to their maximum possible level some miners, railwaymen and power station workers would have to work a wholly exceptional amount of overtime throughout 1982, ie 6-6½ day working across both industries as against the localised overtime which is needed for the current, enhanced rate of coal deliveries. All this would be at a time when the three nationalised industries were under intense pressure to minimise costs. Finally, depending on the precise financial arrangements, Parliamentary approval might have to be obtained for grant finance, possibly as early as mid-February 1982. Few, if any, of these measures would pass unnoticed, and the NUM and the other trade unions concerned would not be slow to recognise their implications.

22. No public pretext devised for these measures is likely to carry much conviction. It could be argued that the transfer of surplus coal stocks from the pitheads to the power stations (where they are finally to be used) is in the national interest and, indeed, in the interest of the NCB. It is even possible to envisage the NCB's co-operation in explaining the movement of coal as linked to extra investment in the coal industry. But this pretext would be very thin especially as it would soon become apparent that the Electricity Boards were incurring considerable extra costs, at a time of financial stringency, in order to find room for coal for which storage capacity already existed at the pits. In any case, increases in storage capacity for ancillaries will be clear evidence that extra endurance was being sought.

23. It would scarcely be possible for the Government to make no public announcements whatsoever, particularly if Parliamentary approval fo grant finance were to prove necessary. The options therefore range from the adoption of a very high profile, with a full public announcement of the steps being taken to increase power station endurance, emphasising the Government's duty to ensure that vital fuel supplies are not threatened by industrial action; to a much lower profile involving the implementation of only as much of the July programme as is possible without increasing visibility above its present level.

24. There are very considerable risks in a high profile, which we do not think would be outweighed by its deterrent effect. The NUM would proclaim it as evidence of the Government's determiantion to undermine their ability to defend miners' interests, eg on closures, compulsory redundancy, privatisation, pay, imports. There is a real danger that they would be provoked into early action to thwart the Government's purpose. Miners could quickly disrupt the flow of coal from the pithead by pre-emptive industrial action short of a strike. In doing so they would be able to claim that, given existing stocks at power stations, they were not immediately threatening electricity generation and the public. At the very least, the unions could well refuse to co-operate in the intensified working that is necessary if stocks are to be built up. This would mean that a small number of miners would have to forego extra overtime, but given the likely general strength of feeling this would not be an important factor.

25. A high profile would also increase the danger of early confrontation with the miners on some industrial issue, with the added risk that developing political dimensions and objectives might be involved. There is no evidence at present that the NUM rank and file regard themselves as "storm troopers" for organised labour or that the NUM as a body is seeking confrontation with the Government; and though this judgment will need to be reassessed in the light of Scargill's conduct when he comes to assume the Presidency, he would only be likely to be able to ferment militancy on what might be seen by miners as a good cause concerning their direct interests. The NUM's stance can at present reasonably be described as defensive of the economic interests of their members rather than as being on the offensive against the Government. On the other hand some of the NUM leadership might not be adverse to a confrontation with the Government during 1982, if industrial issues arose on which they could readily mobilise the support of miners and then exploit it. This support is likely to be more readily secured if miners see themselves threatened by the Government. The parties of the far-Left are urging the need for "combining industrial action with political purpose".

26. It is unlikely that the other unions involved in implementing the July programme would be prepared to co-operate in a strategy which was demonstrably aimed at weakening trade union strength. They could be found ready to respond to requests from the NUM for assistance particularly if the strategy were embarked upon immediately after a "reasonable" settlement with the miners this autumn, with their own pay negotiations yet to come. The rail unions in any case have their own concerns, eg further curtailment of services, redundancy and lack of investment. More generally, some groups of unions appear to be beginning to attempt co-ordinated opposition to pay restraint, closures, privatisation and further industrial relations legislation.

27. As noted in paragraph 3 above, however, the strategy of enhanced endurance depends for its deterrent effect on a degree of visibility at the appropriate time. The judgement for Ministers is, therefore, how visible to allow the steps to increase power station endurance to become; and when.

28. The prospects of rallying public support for a high profile by the Government also needs to be considered. The extent of public support would depend very largely on whether the steps being taken by the Government were thought reasonable. Ministers could argue that their principal purpose was to seek to redress the balance between the Government and the NCB on the one hand and the NUM on the other so as to

deter the miners from taking industrial action lightly.

29. The question of visibility, in relation to how much of the July programme can be safely implemented, boils down to how much coal and ancillaries are to be delivered to the power stations by next November. As already noted, delaying any action in respect of oil and gas until a miners' strike is clearly imminent ought not to reduce endurance.

30. The July programme suggested that the maximum level of power station coal stocks physically possible by November 1982 was 31 million tonnes. But this assumed that the increased rate of coal deliveries and the construction works at the power stations necessary to achieve this would begin in September. In the light of the decision to delay implemenation of the programme until after the miners' pay settlement (which as things have turned out means that work cannot begin before January 1982 at the earliest), the Department of Energy estimates that the maximum physically possible is now significantly less than 31 million tonnes. How much less is not certain.

31. In respect of coal deliveries, there are three thresholds to be considered, above the present stock level of 20½ million tonnes:-

a. the maximum possible physical capacity of the power stations by next November - something less than 31 million tonnes (ie less than 15 weeks endurance);

b. the maximum physical capacity of the power stations by next November without the need for construction works for coal storage - 27 million tonnes (13-14 weeks endurance); and

c. the volume of coal which will be at the power stations by next November if deliveries are continued at the present enhanced rate - 23-24 million tonnes (about 12 weeks endurance).

These compare with the normal November level of 18½ million tonnes.

32. To achieve the level at a. above would require construction work at some power stations, which, because of the need to inform planning authorities and the trades unions, would not pass unnoticed. There would be a grave risk of precipitating a confrontation with the miners by aiming for this level of stocks.

33. The present programme of enhanced coal deliveries has already led to comment by the power station trades unions, and unions in the coal and rail industries are no doubt aware that power station stocks are high. Nonetheless there is a reasonable prospect that this rate of delivery could be continued until next November without industrial trouble. That would achieve the level at c. above.

34. If Ministers opted for the intermediate level at b. above - 27 million tonnes - the risk of industrial trouble would undoubtedly be less. No construction work would be involved at the power stations. The NCB and the CEGB might be persuaded to agree that the coal should then be supplied on deferred payment terms, which would ease the problems of presentation. It might, therefore, just be possible to present this publicly as a sensible measure to help the NUM by the movement of stocks from the pithead to generating stations where they are finally to be held. But this would not be a particularly convincing line of argument. And the overtime required - 6 day working on the mines and 6½ day working on the railway - would be significant. So the risk of industrial trouble would still be considerable.

35. As regards ancillary materials, it should in most cases be possible by next November to increase stocks to levels equivalent to 23-24 million tonnes of coal, without undue visbility damage. But to seek to go beyond that would involve very visible construction works, mainly because of safety regulations, which might not now be possible in the time available and would run grave dangers of retaliatory action by the NUM to frustrate the build up of both coal and ancillary stocks. The trade unions would not be deceived by the argument that an increase in ancillaries to match the expected level of power station coal stocks was no more than a commonsense measure, especially since in the case of some materials the construction of special manufacturing facilities at the power stations at high cost would be involved. Up to levels equivalent to 23-24 million tonnes of coal the Electricity Boards could probably manage without a Government grant to fund an increase in some ancillary materials, but above that they would be likely to insist on one, which would be impossible to conceal publicly and difficult to explain convincingly. A decision not to increase ancillaries beyond the equivalent of 23-24 million tonnes of coal ought not to limit endurance even if coal stocks were themselves higher, eg. at 27 million tonnes; it seems probable that Servicemen would succeed in making good any

shortfall in ancillaries, were the Electricity Boards to prove unable to do so.

COSTS

36. The approximate costs of the various possibilities discussed above may be summarised as follows -

	For 23-24m tonnes of coal	For 27m tonnes of coal	For more than 27m tonnes of coal
a. coal: extra stocking capacity	-	-	up to £10m
b. coal: extra transport and handling costs in 1982	£10m	£40m	£65m
c. ancillaries: extra storage facilities and stocks	£ 5m	£10m	£15m

The baseline for the calculation of these costs is the level of coal stocks forecast for next November if no steps were taken during 1982 to increase the normal rate of delivery. The details are discussed in the attached report on the implementation of the July programme. In addition, advance preparations for the use of Servicemen, if authorised, might cost £5-10 million.

37. No net extra costs would be involved on account of the extra coal itself. Even bookeeping entries could be avoided if the NCB could be persuaded to supply the coal on deferred payment terms. Failing that there would have to be an increase in the external financing limits (EFLs) of the Electricity Boards and a corresponding decrease in the NCB's. These would have to be announced to Parliament, but no doubt their true purpose could be obscured.

38. The figures in paragraph 36 above are therefore the net costs of advance preparations. If a strike occurred, and therefore proved them justified, they could in principle be recovered by passing them on to the consumer. The consumer would in any case have to pay for any extra costs incurred during or immediately before a strike, eg oil purchases, coal imports and any involvement of Servicemen. Depending on the cost of oil purchases, passing on to the consumer the total cost of ensuring 20 weeks endurance might involve extra increases in electricity bills of about 1-1½ per cent on average.

39. If only some of the smaller figures at a-c in paragraph 36 above were involved, eg those in the first column, it might be possible to persuade the Boards concerned to accept them on the basis of appropriate EFL increases. Above a certain level, however, they would be bound to insist on Government grants instead. Public expenditure would be involved and would have to be met from the Contingency Reserve. Before a grant could be paid Parliament would first have to be informed (probably through a Written Answer) and, given the size of the sums involved and the controversial nature of the project, the Select Committee on Energy might take an interest. Estimate provision would be required (in the 1982-83 Main Estimates, published on Budget Day) and dependence on the Appropriation Act would be involved in the absence of specific statutory authority. There would therefore be a serious visibility problem.

THE OPTIONS

40. In the light of this analysis and of their attached reports, the Group has concluded that, on the assumption that Ministers' objective remains to achieve at least 20 weeks endurance by next November, the best strategy would be to proceed as follows -

- to increase power station coal stocks to the maximum possible without new storage capacity, viz 27 million tonnes;
- to take no steps in respect of oil or gas until a miners' strike is imminent;
- not to increase coal imports until a strike has started;
- to increase most ancillaries to the equivalent of 23/24 million tonnes and rely on Servicemen to make good any shortfalls that the Electricity Boards fail to replenish during a strike;
- to do no further preparatory work in respect of the use of Servicemen (except for consultations with BR management); but to ask the Services, as a fallback during a strike, to deliver ancillary materials (which were not otherwise available) and the remaining useable pithead stocks to the power stations and possibly also to assist coal-burning industry, in that order of priority.

41. This would cost £45 million, and would avoid the worst risks in terms of visibility in that no construction work and therefore no planning permission etc would be required. The level of overtime working involved, although high, is not maximum. Endurance would be as follows -

power station coal stocks	13-14 weeks
coal imports during a strike	about 1 week
maximum oil burn	5 weeks
gas	about 1 week
Total without Servicemen	say, 20 weeks
movement by Servicemen of all remaining useable pithead stocks and matching ancillaries	about 3 weeks
GRAND TOTAL	say, 23 weeks

This assumes that Servicemen could if required deliver the necessary ancillary materials for power station coal stocks above 23-24 million tonnes and for all the oil. But it only relies on them to move a comparatively small quantity (about 3 weeks' worth) of coal, which should ease the problem posed by pickets, public opinion and the lack of advance preparations.

42. In assessing endurance under this strategy and the variations discussed below, no account has been taken of the extent to which it might be increased through electricity supply reductions.

43. If Ministers feel that it would be possible to adopt a higher profile than was assumed in drawing up the above strategy, they will want to consider either or both of the following variations -

- increase coal stocks to the absolute maximum (see paragraph 31a above) and ancillaries to an equivalent level (but still take no steps, before a strike is clearly imminent, in respect of oil or gas). The public expenditure cost would be of the order of £90 million. Visibility risks would be so high as to endanger feasibility. But if they were overcome endurance

might be above 20 weeks without the use of Servicemen; and the latter would be needed only to deliver coal from any useable pithead stocks which remained, plus ancilliaries to match that coal, and possibly also to match oil supplies.

- authorise consultations on preparatory work for the use of Servicemen. This might involve some small extra public expenditure cost (£5-10 million). The main advantage would be to reduce uncertainty about the Services' logistical ability to achieve the necessary rate of deliveries and therefore about likely total endurance; against which there is the serious disadvantage that it would be clear that the Government was actively preparing at this early stage to use Servicemen.

44. Alternatively, if Ministers feel that the strategy described in paragraph 40 above poses unacceptable risks, the following lower profile variations could be considered -

- increase power station coal stocks only to 23-24 million tonnes, ie continue but do not accelerate the present high level of deliveries. This would significantly reduce the visibility danger. It would reduce the costs to about £15 million. But it would also reduce by 2 weeks to about 18 weeks the total endurance time available without coal movements by Servicemen; and it would proportionately increase reliance on Servicemen, with all the risks of that proving impracticable or unacceptable.

- do not increase power station coal stocks (or ancilliaries) above their present level. This would eliminate the visibility danger. It would cost little or nothing. But it would cut further, to about 16 weeks, the total endurance time available without Servicemen moving coal; and would thus even more seriously increase reliance on what they could improvise despite pickets and other difficulties.

THE DECISIONS FOR MINISTERS

45. Given that the principal objective is to seek to deter miners from striking by achieving a longer period of endurance without provoking industrial action which could frustrate that achievement, Ministers will want to judge -

a. the extent to which deterrence would be significantly increased or decreased by the longer or shorter periods of endurance which might be attained;

b. the acceptability of the risks and costs involved (including the potential effect on coal-burning industries).

46. Ministers are invited -

a. to endorse the strategy set out in paragraph 40 above and to agree that it should be implemented as soon as the miners' 1981 pay negotiations have been completed;

or b. to endorse, on a similar basis, one of the higher or lower profile strategies discussed in paragraphs 43 and 44 above;

and c. to authorise secret consultations with top British Rail management about the possible use of Servicemen to deliver coal by rail.

R L Wade-Gery

BUILDING POWER STATION ENDURANCE BY NOVEMBER 1982

Note by the Official Group on Coal

INTRODUCTION

1. Ministers decided in principle on 4 August that it would be desirable to build up power station endurance to 20 weeks by November 1982 on the lines of a scheme set out by the then Secretary of State for Energy in his minute to the Prime Minister of 31 July. This report discusses the detailed implementation of as much of that scheme as is now practicable, which for reasons discussed in paragraph 6 below is slightly less than the original proposals.

2. The elements of the Secretary of State for Energy's scheme were -

i. adding 5 weeks to power station endurance by expanding coal storage capacity and increasing coal stocks to a maximum;

ii. adding a further 5 weeks to power station endurance by increasing the availability of oil;

iii. possibly using more gas in power stations thereby adding no more than 1 week of endurance; and

iv. increasing storage (and, in some cases manufacutirng) facilities for ancillary materials at the power stations and increasing stocks of them to match the planned level of fuel stocks and supplies.

3. We consider first the steps that might be taken in respect of each of the four elements listed above. The costs involved and the extent to which the work involved in implementing these proposals might attract public attention are discussed at the end of the report.

4. In preparing this report we have, for security reasons, consulted only the very limited number of senior Electricity Boards' management who have already been involved in this work; and consultations within Whitehall have been similarly restricted. Neither the National Coal Board (NCB) nor the British Railways Board (BR) has been consulted. Our estimates of the costs involved, in particular, are

therefore necessarily very imprecise, although the orders of magnitude should be about right.

5. This report concentrates on the position in Great Britain and estimates of endurance times and of costs are all on that basis. The position in respect of Northern Ireland is discussed in Annex A.

COAL

6. By the end of the year power station coal stocks will be 20½ million tonnes (equivalent to about 10 weeks endurance). By continuing throughout 1982 the currently slightly enhanced rate of deliveries stocks would reach 23-24 million tonnes by next November (equivalent to about 12 weeks endurance). In July the maximum possible level of power station coal stocks achievable by next November without the construction of completely new stock yards (which would take several years) or increasing transport capacity was estimated to be 31 million tonnes, on the assumption that the higher rate of coal deliveries required to achieve this and the relatively minor construction work required would begin in September. Ministers decided that no steps towards achieving this level of stocks should be taken until immediately after the miners' 1981 pay settlement had been concluded. As things have turned out this means that work cannot begin before January 1982 at the earliest. The Department of Energy estimate that the maximum physically possible level of power station coal stocks is now significantly less than 31 million tonnes, but how much less is not yet known. The maximum level of coal stocks that could be accommodated at the power stations without construction works is about 27 million tonnes, equivalent to 13-14 weeks endurance.

7. To increase power station coal stocks to the maximum level physically possible by next November would involve the delivery during 1982 of very roughly 4-5 million tonnes of coal more than would be the case if the present, slightly enhanced rate of delivery were to be continued. This could be drawn from a variety of sources, as follows:-

a. Transferring NCB stocks to the power stations
Useable pithead stocks are likely to be about 10 million tonnes by next November. To transfer about half of this to power stations a higher level of deliveries than at present would have to be sustained throughout 1982, starting in January. Extra costs of perhaps £65 million would arise from

additional double handling and transport, some of which would fall during the current financial year. But in the event of a strike these could be passed on to the consumer. The coal itself would involve no net cost to public expenditure. This is therefore the cheapest option.

b. Increasing Imports

Ministers undertook in the Tripartite discussions earlier this year to limit Electricity Board coal imports in 1981-82 to $\frac{3}{4}$ million tonnes. Thus any increase in imports could not start until May 1982. But although no commitment was given to the NUM in respect of coal imports after 1981-82, both they and the NCB would assume that a commitment is implicit and the NUM would be bound to oppose any increase beyond the level agreed for this year. The main physical constraint is likely to be the availability of the coal, although the CEGB holds stocks on the Continent and has contracts for imports in 1982-83 which would guarantee some 3 million tonnes in total; and a further 4-5 million tonnes could probably be brought in between May and November at a cost of £200-300 million. Together these would in theory add about3-4 weeks to endurance. The capacity to import is not likely to be a problem. Coastal power stations can handle imports of up to 10-12 million tonnes/annum of which 7 million tonnes capacity is at the Thameside power stations. The alternative approach would be to increase imports during a miners' strike. We think that it might be possible at a price to import up to about 3 million tonnes, provided that other resources could provide endurance of 20 weeks. This would increase endurance by about 1 week.

c. Diverting Exports of Coal

Finally, the diversion of fresh-wrought coal from export could be considered if absolutely necessary. This would of course reduce NCB's revenue from outside the public sector, thus increasing public expenditure.

OIL

8. In order to achieve endurance of about 20 weeks it would be necessary to maximise power station oil burn from the start of a miners' strike as a means of ekeing out coal stocks. The options for acquiring the oil are -

a. building up stocks immediately

By enhancing storage capacity stocks could be built up by $\frac{1}{2}$ million tonnes. The cost would be about £60 million for the oil purchases and about £5 million for the extra storage capacity. This would increase endurance by about 2 weeks.

b. purchases of oil in advance

To be certain of supply the Boards (mainly the CEGB) could arrange contracts with the oil companies in the Spring for deliveries of heavy fuel oil in the Autumn. The supply of $4\frac{1}{2}$ million tonnes of oil (the amount required for maximum oil burn for 18 weeks) would cost £450-500 million. If, in the event, the oil was not required, the oil companies would no doubt seek a substantial cancellation charge. But without consultation with the oil companies we have no way of estimating what this might be.

c. arranging supply when an emergency is imminent

When an emergency is imminent the oil companies could be pressed (or, if necessary, directed under the Energy Act) to supply extra fuel oil rapidly. This would be costly because refinery patterns would have to be altered, and the oil would therefore be more expensive than normal. The total cost of the 5 million tonnes required (ie taking a. and b. above together) might then be of the order of £800-850 million. We think that oil supplies are likely to be available, even at short notice, provided there is not at the time some crisis in the international oil market or other constraint on supplies. In the event of supply difficulties it would be possible for the Government to requisition under the Emergency Powers Act the oil stocks held in the United Kingdom by the oil companies under our European Community obligations. These stocks are equivalent to about 10 weeks endurance.

GAS

9. In England and Wales the substitution of gas for coal, in the limited number of dual fired power stations, would provide extra endurance of $\frac{1}{2}$-1 week. To be fully certain that this would be practicable the capacity of the gas mains to the power stations involved would have to be examined, and some minor construction work

(eg strengthening gas mains) might be required. This work would have to be carried out in advance of a miners' strike and could not easily be concealed or explained away. The risk seems hardly worthwhile when set against the short extra period of endurance involved. The gas would have to be diverted from industrial users and a direction under the Energy Act 1976 would probably be required. They would no doubt seek compensation from the Government, and the costs involved might be of the order of £100 million, which could be passed on to the electricity consumer.

ANCILLARIES

10. Stocks of most ancillaries at the power stations sufficient to match the level of coal stocks resulting from the maintenance of the present rate of deliveries (ie 23-24 million tonnes) would probably be possible by next November at a cost of about £5 million. To seek to do more would require the construction of extra storage, and in some cases manufacturing facilities (at a total cost of perhaps £15 million), which as the Secretary of State for Energy warned in his minute of 2 September to the Prime Minister, might not be possible by next November. This work would also be immediately noticeable and probably impossible to explain away convincingly. But, as we conclude in our separate report on the use of Servicemen, it would probably prove possible during a strike to replenish stocks of ancillaries.

COSTS

11. The approximate costs of implementing the measures discussed above may be summarised as follows -

	For 23-24 m tonnes of coal	For 27 m tonnes of coal	For more than 27 m tonnes of coal
a. extra stocking capacity	-	-	up to £10m
b. extra transport and handling costs in 1982	£10m	£40m	£65m
c. additional ancillaries storage facilities and stocks	£ 5m	£10m	£15m

The baseline for the calculation of these costs is the level of coal stocks forecast for next November if no steps were taken during 1982 to increase the normal rate of delivery. In addition advance preparation for the use of Servicemen, if authorised, might cost £5-10 million.

FINANCIAL PROCEDURES

12. There are potentially difficult problems of visibility depending on the financial procedures adopted. These would not arise if the NCB could be persuaded to supply the coal to the Electricity Boards on deferred payment terms. Even book-keeping entries could then be avoided.

But if deferred payment terms are not agreed, the external financing limits (EFLs) of the Electricity Boards would have to be increased and that of the NCB reduced. These changes would have to be announced to Parliament, but no doubt their true purpose could be obscured.

13. We have assumed that the costs incurred during or immediately before a strike e.g. oil purchases, coal imports, any involvement of Servicemen etc, would be passed on to the electricity consumer. Thus the costs in paragraph 11 above are the net costs of advance preparations/ since extra coal would involve no extra cost. If these proved to be justified, because a miners' strike occurred, in principle they too could be recovered by passing them on to the consumer. However, if only some of the smaller figures were involved e.g. those in the first column of the table in paragraph 11, the Boards concerned might be persuaded to accept them on the basis of appropriate EFL increases. As already noted, changes in EFLs have to be announced to Parliament, but it ought to be possible to obscure their true purpose. The expenditure involved would also have to be reflected in changes to the EFLs for 1982-83, which have already been announced, but this could be delayed until the autumn of 1982.

14. However, above a certain level of expenditure the Boards would be bound to insist on special Government grants, which would require Estimate provision. Authority for the Estimates ought ideally to be based on legislation, but in the absence of legislative powers the Appropriation Act could be regarded as authority for the expenditure so long as it was intended to be a one-off project. This would have to be made clear in the Estimate, and could be criticised because of the large sums involved and their controversial purpose. If a similar exercise were to be repeated in future years, legislative authority for the expenditure would need to be sought. There is no possibility that the real purpose of this expenditure could be concealed.

15. The Electricity Boards might incur expenditure in 1981-82, and, if so, might insist upon reimbursement during this financial year. To permit this, the expenditure would have to be voted in a 1982 Spring Supplementary Estimate. Decisions on the Spring Supplementary Estimate would need to be taken by about 20 January 1982 at the latest; it would be published on about 16 February; and payments could be made under it early in March. Any provision for the much larger expenditure which might arise in 1982-83 would be taken in the 1982-83 Main Estimates. These are published on Budget Day and the date for final decision on amounts involved is about 25 January. If Ministers did not wish to include provision in the 1981-82 Spring Supplementaries, financial provision for all the expenditure would have to be included in the 1982-83 Main Estimates, though to delay in this way might invite criticism from the Public Accounts Committee.

16. Finally, any extra public expenditure would have to be met from the Contingency Reserve.

VISIBILITY

17. Visibility would be a problem in a number of areas other than the financial procedures. Construction work to extend coal stocking facilities and to increase storage (and in some cases manufacturing) capacity for ancillaries would be required at the power stations. Under existing agreements, the Electricity Boards would be obliged to consult their trade unions. Local planning authorities would also have to be informed (although planning permission would not actually be required). Wholly exceptional levels of overtime working would also be required by the miners, power station workers and railwaymen if the maximum possible volume of coal was to be transferred to the power stations - up to 6-6½ day working as against the localised overtime required to achieve the current enhanced rates of coal delivery. All this would be at a time when the industries concerned were under considerable pressure to reduce costs and the Electricity Boards in particular have been conducting a vigorous cost-cutting campaign. The trade unions would be likely to notice very quickly (say within a few weeks) that special construction work was in hand and it would not take them long to discover that this was widespread and to guess its true purpose. The fact that provision was being made for a considerable increase in ancillaries and that extra oil storage facilities were being constructed (at a time when the United Kingdom is committed by international agreements to reduce oil use) would quickly confirm to them what the true purpose of the exercise was. We do not think that any convincing pretext could be devised to explain why

these measures were being taken.

18. We have considered what might be done without attracting publicity. It would be possible to increase coal stocks to the maximum physically possible without the need for construction works at the power stations (ie about 27 million tonnes) without the need for consultations with planning authorities etc, although overtime involving 6-day working in the mines and 6½ day working on the railways would be required. But we doubt that it would be possible to increase ancillary stocks to match these levels of coal supplies and present it as merely a commonsense measure to ensure that stocks of fuel and ancillaries were in balance. This would involve a considerable increase over the levels of ancillaries normally held until recently (about 6 weeks) and construction works would be required. All of this would raise the trade unions' suspicions. The more realistic aim, given the likely capacity of the Services to replenish stocks of ancillaries, would be an increase to match coal stocks of 23-24 million tonnes (the level achieved by continuing the present rate of delivery), although even this might not be possible in the case of some materials. We doubt whether any steps could be taken either to provide increased storage for oil or to arrange in advance for supplies without publicity. Finally, publicity could only be avoided if the extra coal was supplied to the Electricity Boards by the NCB on deferred payment terms; if the industries were to agree that any expenditure they might incur should be met by loans rather than by grants; and if the true reasons for consequential increases in EFLs were not to be made public.

Cabinet Office
4 December 1981

ANNEX

NORTHERN IRELAND

1. In Northern Ireland 80 per cent of electricity is produced from oil and only 20 per cent from coal. Oil stocks are currently equivalent to about 8-9 weeks endurance; and coal stocks have been built up to about 6-7 weeks. All oil and coal supplies are imported from Great Britain.

2. If coal supplies were to be cut off, there is sufficient surplus oil-fired capacity to make good the deficiency. Extra oil would have to be imported, but the requirement would be small compared with that of Great Britain and there is therefore unlikely to be any problem with supplies. There would also be no problem with storage, since there is already sufficient additional storage capacity available and in an emergency a tanker could be used as temporary storage. The cost of extra oil is likely to be about £15 million.

3. Ancillary materials are also imported from Great Britain, although some small quantities could be obtained from the Republic. Stocks of ancillaries vary from 6 to 12 weeks requirements, depending on the product and how rapidly it can be topped up. It should be possible to build stocks of ancillaries up to 20 weeks at a cost of about £150,000; we do not foresee any particular difficulties with the availability of supplies. Some capital works would be required to increase storage facilities, but without detailed investigations we cannot estimate what the costs of this might be.

4. The Northern Ireland electricity service is in deficit and since the Government is committed to bringing Northern Ireland electricity tariffs into line with those of Great Britain and keeping them there, it is unlikely that the costs of any of these measures could be passed on in full to the electricity consumers. Part, at least, of the additional cost would therefore have to be met from public expenditure.

CONFIDENTIAL

cc JV.
AD
BI

(2)

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

01-211 6402

Prime Minister

A rather different line from that which you have been taking.

MCS 4/12

Michael Scholar Esq
Private Secretary to the
Prime Minister
10 Downing Street
London SW1

3 December 1981

I agree with this line under these circumstances

Dear Michael,

NUM WAGE NEGOTIATIONS

Thank you for sending me a copy of your letter of 30 November to John Kerr.

My Secretary of State has commented that the Chancellor's announcement has made it more important, not less important, that Ministers should avoid drawing attention to the fact that the current offer amounts to 7.3% rather than 9.1%, especially as the Chancellor has not been able to hold back significant elements in his announcement. He believes it is one thing for the NUM leadership to grasp the meaning of the figures. The Board's management can go on saying at the negotiating table, to the press and in the coalfields that this is a mere fiddling of the figures.

What is important is what happens in the pithead ballot. This will be influenced to a considerable degree by what appears in the newspaper headlines. Hitherto these have given prominence to the 9.1% figure. If the 7.3% figure now gains prominence the chances of a successful outcome will be significantly reduced. An adverse outcome is much more likely if Ministers now publicly support the view that the real rise is only 7.3%. In these circumstances the NUM leadership would be able to call our own statements or briefing in aid of their argument that the Board aided and abetted by the Government have been deceiving the membership and that substantially higher offers are necessary, if a strike is to be avoided. This would almost certainly lead to the Board either having to make a higher offer or whatever offer was on the table being rejected in a ballot.

CONFIDENTIAL

The Secretary of State hopes that the position of the NCB negotiators will not be further complicated, especially as they are committed to trying their hardest to maintain their offer close to its present level. He attaches great importance to avoiding a situation where the Board negotiators are forced to offer a "real" 9% increase on earnings or even a "real" increase over 10%. There would then be no room for the Government to claim after a ballot that the offer is in fact less than it appears to be. He accepts, however, that if, as a result of the Chancellor's announcement, the Board are forced to make an offer equivalent to 11%-12% on basic rates, it may be necessary to publicise the corresponding earnings figures. Fortunately this stage has not yet been reached.

I am sending copies of this letter to the recipients of your letter.

Yours ever,

J D WEST
Private Secretary

SECRET

cc Mr. Hoskyns
Mr. Duguid
BI

MR. SCHOLAR

NUM Wage Negotiations

The negotiations over miners' pay may generate some difficult decisions for Ministers shortly. As you know, the present timetable is that the NCB and the NUM will meet next Tuesday, 8 December, by which time the outcome of the ballot (which is being held today and tomorrow) for the new President will be known. The NUM Executive will then meet separately on 10 December to decide in what terms to put the NCB's final offer to a pithead ballot. The current offer is equivalent to 7.3% on average earnings, broadly presented as 9.1% on basic rates.

In his letter of 1 December, Mr. Lawson warns that, as a result of yesterday's announcements, there will be "intense pressure" on the NCB to increase their offer by 2% or 3%. I have discussed this with the Treasury, and (this morning) with the Under-Secretary in Energy responsible for coal. Although the NCB formally have the power to increase their offer without reference back to Ministers, and although the EFL does not in practice constrain their pay offer, Energy are sure that they will be given advance warning by the NCB of any proposed increase. Both Treasury and Energy believe that the NCB really are trying to keep the offer down, and Energy even fear that in their efforts to keep it to single figures, the NCB may risk losing the ballot - which would undoubtedly be the most expensive outcome of all, since the increase then required would be larger.

The NCB's view this morning, however, is that yesterday's package was even worse than they thought, and that they would have to make a significant increase, perhaps of the order of magnitude of 2 - 3%, in order to provide something acceptable in the ballot. I have of course commented that, presentationally, neither an offer in double figures nor an increased offer in response to the Chancellor's package are at all desirable. I understand that Mr. Lawson will be writing to his colleagues either today or tomorrow, warning of the probable increase and pleading for no reference to be made to the average earnings (as opposed to basic rate) figure. Having started on this charade of falsely presenting the offer, the NCB are becoming

/hooked

SECRET

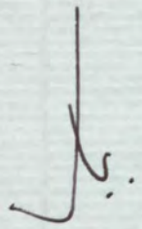
hooked on it.

So for the moment I think the Prime Minister should not comment on Mr. Lawson's letter of 1 December. Ministers having already decided that this is not the year to confront the miners, their judgement may shortly be required on two points:

i) The minimum offer that will be accepted at the pithead ballot. It seems improbable that the Government will be in a better position than the NCB to judge this; and

ii) Whether the need to present the offer to the miners in the best possible light continues to outweigh the damage that a perceived high settlement will have on pay determination elsewhere.

Events may move rather quickly early next week. It may be that (as last year) these issues are best discussed in a short meeting of the Ministers directly concerned.



3 December 1981

10 DOWNING STREET

Mr Vereker

Any ~~[illegible]~~ further comments in the light of J West's letter to me of 3/12?

MCS 3/12

Ms Scholar.

Simply that I am glad to see that Mr Lawson accepts that if the offer is increased, we can start putting about the lower figures: we must try to keep it in (perceived) single figures.

N. 3/12

THE USE OF SERVICEMEN TO REPLENISH POWER STATION STOCKS OF COAL AND ANCILLARY MATERIALS IN THE EVENT OF A MINERS' STRIKE

Note by the Official Group on Coal

INTRODUCTION

1. The Home Secretary in his minute of 22 July to the Prime Minister, with which the first report of this group was circulated, said that the Official Committee on Coal (MISC 57) would consider further the scope for using Servicemen to move National Coal Board (NCB) pithead coal stocks to the power stations as a means of extending endurance in the event of a miners' strike. Subsequently the Secretary of State for Energy proposed in his minute of 2 September 1981 to the Prime Minister - and the Prime Minister agreed - that officials should examine the scope for using Servicemen during a miners' strike to replenish power stations' stocks of ancillary materials were it to prove impossible in the event to ensure by November 1982 sufficient supplies of ancillaries at the power stations and were the Electricity Boards unable, unlike during past miners' strikes, to find ways of replenishing stocks. This report considers the problems which might arise in using Servicemen for both these tasks and how these might be overcome. Since in both cases specialised vehicles would have to be requisitioned, the proclamation of a State of Emergency would be an essential pre-requisite to the use of Servicemen.

2. We consider first whether the Services would have the capacity to move the likely volume of useable pithead stocks and the necessary ancillary materials and whether the logistical and other problems which arise might be overcome. The separate question of whether the miners might successfully prevent Servicemen from gaining access to the pitheads and power stations is discussed in paragraphs 24-29.

THE REPLENISHMENT OF COAL STOCKS

Road Transport

3. Only very limited information is available centrally about precisely what would be involved in the task of moving coal by road from the NCB pithead stocks to the power stations. By no means all the coal in the NCB pithead stocks would be useable in power stations even in a crisis, but a detailed analysis of each stock-pile (which has not been undertaken for security reasons) would be required before

the levels of useable stocks could be accurately quantified. Our best guess is that the useable coal in power station stocks might amount to about 10 m tonnes by November 1982, which would extend endurance of a strike by about 5 weeks. This estimate assumes for working purposes that the extra coal transferred to the power stations during 1981 would be neither drawn on nor increased during 1982. But if Ministers were to decide to implement the steps discussed in our parallel report to maximise power station endurance, about half of these pit-head stocks would have to be drawn on and the useable stocks then remaining by November 1982 might be about 5m tonnes; the exact level would depend on the mix of sources of coal used to maximise power station endurance, and in particular on the level of coal imports. This represents 2-3 weeks endurance. The Services have the theoretical capacity to move all the maximum likely level of stocks to the power stations within about 12-14 weeks ie within the endurance period likely to be offered by power station coal stocks in November 1982 even on the pessimistic assumption that no special measures will be taken to increase power station coal stocks during 1982, plus the extra endurance offered by the coal transferred by Servicemen during the early stages of the operation.

4. The task would fall naturally into three parts -

a. loading the coal onto lorries at the NCB depots;

b. moving the coal to the power station;

c. unloading the coal.

These are discussed below.

a. loading

5. The NCB pithead depots (other than the few organised and equipped for direct transfer to a power station, eg by conveyor) are in the main set up to supply coal by rail. The equipment is specialised and not, in the main, adaptable for use by road transport (although detailed, on-site examination, which has not been carried out for security reasons, may

suggest temporary expedients that will enable some of the equipment to be used). Mobile plant would therefore be necessary and would have to be requisitioned from suitable sources. This would probably be more difficult and time-consuming than requisitioning ordinary vehicles, because of the problems likely to arise in locating the right kind of equipment, although we do not think these problems are likely to prove insuperable. The prospects of success would be substantially enhanced and the time involved greatly reduced, if the identification of suitable equipment could be put in hand before a miners' strike began.

6. The Services have available only some 300 men qualified to operate the appropriate equipment. On the basis of a requirement to operate the plant 24 hours a day throughout the period of the operation this would permit the operation of about 100 equipments. The Ministry of Defence has considered whether it might be better to requisition sufficient equipment for it to be stationed permanently at each of the sites to which Servicemen are likely to require access (about 230 pitheads and power stations in total, although only 50-60 sites on any given day). But given that pickets could easily gain access to sites and sabotage the equipment, they think that the best strategy is to move equipment from site to site. If the ideal equipment (with a capacity to load approximately 180 tonnes an hour) can be supplied and provided the location and layout of the coal stocks imposes no serious delay - which, for security reasons, we have not been able to investigate - this should suffice to meet the requirement. Further, more detailed study, including examination of the individual pit-head depots would be necessary both to confirm that this phase of the operation is possible and to allow a more precise specification to be prepared of the specialised loading equipment likely to be required.

b. transport

7. Our preliminary assessment is that about 4500 drivers would probably be required to move the required volume of coal stocks in the time likely to be available, allowing for working in three shifts and a small margin for maintenance crews etc, and these could be made available. This would mean that about 1650 tipper lorries would have to be requisitioned, (about 10 per cent of the national total), which might take five or six days.

However, these are only broad estimates and a more detailed assessment, including studies of the actual sites involved, would be necessary before they could be confirmed, because the calculation is very sensitive to the distances to be covered and the possibility of delays due to saturation of the loading or unloading facilities, or even of the roads involved. Lorry requisitioning would mainly affect the construction industry and the movement of scrap metal and ore to the steel industry, but provided that requisitioning is reasonably spread throughout the country, we do not think the effects would be particularly serious.

8. These calculations (and, those for loading and unloading) assume that lorries would be able to move individually to and from power stations. If convoys proved to be necessary (as they might well, at least initially), because the police could not otherwise secure free passage for lorries on the roads and through any pickets, the movement of coal to the power stations within the time available might require about 30 per cent more Servicemen and requisitioned lorries; a more accurate assessment is impossible at this stage. This would involve drawing on BAOR, and the implications for defence operational requirements would be servere.

9. Preliminary calculations suggest that movement on this scale would give rise to a requirement for approximately 8 million gallons (ie 30,000 tonnes) of vehicle fuel (apart from the needs of the plant used for loading). Special arrangements might be needed to ensure supplies, but we can see no reason why they should not be available.

10. The Service drivers used will not be experienced in the handling of tipper trucks and some preliminary training will therefore be necessary. Preliminary estimates indicate that an allowance of 5 days should be made, and this has been taken into account in preparing this report.

c. unloading

11. The power stations are geared to unloading from rail trucks. All, however, have stockyards in which their reserves are held. Discussions with the CEGB suggest that, at certain power stations at least, it would be

possible to discharge road deliveries into these stockyards and thus into the power station. Our very preliminary assessment is that this should be sufficient to allow adequate volumes of coal to be moved to the power stations, although the unloading schedule would be very tight. If the CEGB preferred strategy of concentrating on 20 base load power stations were adopted, this would represent one lorry every six minutes, day and night. Senior CEGB staff are sceptical about the prospects of maintaining this schedule; their view is that the best possible rate of delivery would be no more than 70 per cent of this. The Ministry of Defence, on the basis of their experience of moving materials by road and of a very discreet examination of the unloading facilities at 2 power stations, is confident that such a schedule is possible at least so far as the power station facilities are concerned. There has, however, been no opportunity to examine the implications of such delivery rates in terms of their impact on the roads between the pithead and the power stations although theoretical assessments have suggested that there could be substantial problems. However, improvisation and draconian traffic control measures should prevent these problems resulting in a major shortfall in deliveries. But if, in the event, the above unloading schedule were to prove impossible to maintain, the necessary rate of total coal deliveries could be achieved by moving coal to more than the twenty power stations on which this assessment is based. However, a detailed study, including examination of the facilities at individual power stations, would be necessary to confirm that the operation is indeed possible and to establish with certainty whether some engineering work would be required in advance or whether improvisation on the day would suffice.

Coal Imports

12. As Ministers specifically requested we have examined carefully the scope for increasing coal imports. The Government is committed by the assurances it gave the National Union of Mineworkers (NUM) in the tripartite discussions in February and March not to allow CEGB coal imports to exceed $\frac{3}{4}$m tonnes during the 1981-82 financial year. No commitments have been given in respect of later years, although both the NUM and the NCB may regard commitments in respect of 1982-83 and beyond as being implicit in the existing agreement, and the NUM can be expected to campaign vigorously for coal imports to be kept to this level or further reduced. If Ministers were nonetheless to decide that imports should be increased, the Electricity Boards would have to open negotiations with suppliers early in the new year, since the availability of

coal supplies at short notice is likely to be the main constraint, although CEGB stocks held abroad and committed contracts would guarantee 3m tonnes. The capacity of the power stations to handle coal imports is not likely to be a problem; the power stations can accommodate some 10m tonnes per annum of imports (7m of which is at the Thameside power stations), which would probably be more than sufficient for the volumes of coal likely to be available. Given the Government's commitments increased coal imports could not begin to be delivered until May 1982 and the total amount likely to be available between then and November 1982 is about 4-5m tonnes, which together with the CEGB's stocks of 3m tonnes referred to above represents about 4 weeks endurance.

13. We have also considered whether the better strategy might be for coal to be brought in not to the main coal importing ports but to ordinary ports where it could be unloaded and transported by road to the power stations (or possibly to key coal-burning industries) by Servicemen. This might mean that the operation was less open to disruption by pickets or sympathetic action. Picketting of these ports by the NUM would probably be illegal. The main difficulty is that the imported coal would probably have to be transported by Servicemen over quite long distances to the power stations. The Services' ability to maintain the necessary high frequency of deliveries is crucially depended on minimising the distance to be travelled. In the case of coal imports the distances would be at least two or three times greater than those involved in transporting coal from the pitheads to the power stations. The total volume of coal that the Services could deliver to the power stations would therefore be seriously reduced. Our assessment is that such a strategy would be unlikely significantly to extend endurance and might well reduce it slightly.

Costs

14. It is impossible without having undertaken the various detailed consultations referred to in this report to estimate the costs likely to be involved in planning in advance for the use of Servicemen, although we do not think that they are likely to be very large. However, since the expenditure involved might prove nugatory, Ministers may wish to instruct officials to report further on this aspect, following the necessary consultations, before reaching a final view on the extent of advance preparation to be undertaken.

Rail Transport

15. Using Servicemen to move coal to the power stations by rail would involve very considerable problems. These are discussed in detail in the Annex to this report. Briefly, Servicemen would have to be trained from scratch in the handling of the heavy locomotives used to deliver coal and of long coal trains; they would also have to familiarise themselves in detail with the train routes involved. We think that any attempt to train Servicemen in advance of a miners' strike (and, perhaps, even once such a strike had began) might well lead to industrial action on the railways and would also raise legal difficulties which are discussed in paragraph 18 below. It might be possible to arrange for training in locomotive and train handling to be undertaken abroad, possibly with some of our Allies, but more probably through the provision of special facilities; but this would be costly (the cost of equipment alone would be of the order of £2 million), probably impossible to keep secret and would constitute less than half of the necessary training, since Servicemen would still have to familiarise themselves with the routes in question.

16. Even if these problems could be overcome, the co-operation of BR staff responsible for signalling, track and rolling stock maintenance etc would be necessary to the success of the operation, since these tasks are too specialised for Servicemen to be able to carry out. Consultations with BR management would be required before we can assess how likely such co-operation would be once a miners' strike is underway.

17. Overall, we doubt whether these problems could be overcome, but we do not think that this option should be ruled out before secret consultations have been held with the highest level of BR management to establish whether other approaches might be possible to the training and other problems we have identified and the likely attitude of BR staff to the use of Servicemen in the event of a miners' strike.

18. One further difficulty arises of which Ministers should be aware at this stage. The training of Servicemen in advance raises an important legal problem. Although the deployment of the Services on advance training would not be unlawful, it would not be possible to issue a Defence Council Order under the Emergency Powers Act 1964 to legitimise any orders issued in connection with such training, because the Act requires that such Orders can only be issued in connection with "urgent work...." and the advice of the Treasury Solicitor is that training in advance to enable Servicemen to assist the civil community in an emergency would not meet this criterion. Any instructions issued in connection with the training would therefore not be lawful commands and could be challenged by the recipients.

19. We have considered carefully the options open to the Government, but can see no alternative to amending the 1964 Emergency Powers Act to remove the requirement for the work to be "urgent" if it eventually proves possible and necessary to arrange for the advance training of Servicemen to drive coal trains. In view of the criticism of the Government's use of the 1964 Act this could well provoke opposition in certain circles.

ANCILLARY MATERIALS

20. A large number of ancillary materials are essential to the continued operation of power stations, and supplies of some of them would have to be replenished in the event of a miners' strike. Supply problems are most likely to arise in the following cases: hydrogen, propane, diesel oil, lighting-up oil, caustic soda, aluminium or ferric sulphate, frozen carbon dioxide, nitrogen, hydrazine and sulphuric acid. In previous strikes the Electricity Boards have been reasonably successful in replenishing stocks with the help of the suppliers and they would no doubt attempt to do so again. Moreover, if the proposals for increasing power station endurance discussed in our separate parallel

report is implemented in respect of ancillary materials it would probably be possible by November 1982 to provide adequate stocks at the power stations of most but not all of these particularly crucial materials.

21. However, were stocks to prove insufficient and other methods of replenishment failed, there is no reason in principle why Servicemen should not attempt either to bring into the power stations supplies of a range of ancillary materials sufficient to match the coal being transported by Servicemen or to make good any deficiencies that might arise in the power stations' existing supplies. But detailed consultations would be required with both the power stations' management and the manufacturers of the ancillary materials before it could be established beyond doubt that this was the case. Detailed information about the particular ancillary materials required by each power station and its source of supply is not held centrally and this essential information could be obtained only by discussion with the management of individual power stations. A number of ancillary materials have to be transported in specialised vehicles, which would have to be requisitioned, but at this stage we do not know how many vehicles would be involved or where they are likely to be located.

22. In the absence of this information it is not possible to quantify the number of drivers likely to be required or how long the requisitioning of vehicles is likely to take. If the manpower required for the movement of ancillary stocks was large, the capacity of the Services to move coal by road to the power stations might well be reduced, unless drivers were recalled from Units overseas. As for requisitioning, the Department of Transport regional offices involved will initially be preoccupied with the task of requisitioning plant and vehicles to move coal to the power stations, but allowing for that it should be possible to make the vehicles required for the transport of ancillary materials available well before the power stations' stocks of them are exhausted.

23. The use of Servicemen for this task might, however, raise wider industrial relations problems. Servicemen would have to seek supplies of ancillary materials from the normal suppliers and would have to operate in and out of the suppliers' premises using requisitioned vehicles. Since Servicemen would be involved only in a situation where neither the suppliers' personnel nor contractors were prepared to continue with deliveries to the power stations, there must be a risk that the remainder of the suppliers' workforce will also refuse to co-operate. If such circumstances were to arise, Servicemen might be able to reload under management supervision, although some ancillary materials are difficult and dangerous to handle. But if not, it would be possible for them to continue to replenish power station stocks of ancillaries only if alternative United Kingdom suppliers could be found, which might not be easy in the case of some key materials; although in some cases it might prove possible to import emergency supplies at a price, we do not think that this will be possible for all the ancillary materials involved, because of the specialised handling necessary in the case of some of the particularly dangerous ones. It is also possible that suppliers' drivers might take industrial action in protest at requisitioning, which could disrupt supplies to industry; in the case of some key materials such as industrial gases the effect on industrial production would be immediate and serious.

THE POSSIBLE IMPACT OF PICKETTING

24. The use of Servicemen would arouse bitter feelings in mining areas, going back to 1911 when, following a lock-out of miners and local disturbances at Tonypandy, troops were sent to South Wales to help the police to maintain order and protect mines and "blackleg" labour (but not to mine or handle coal). The task of dealing with demonstrations by strikers was undertaken by the police, who were criticised for using unnecessary violence against crowds, including women and children. Fixed bayonets were used by the military on some occasions to move along stone-throwing demonstrators, but the main criticism directed at the troops was that their use was not necessary to maintain order. The miners believed that the Government's real purpose was to strengthen the employers' hand in the dispute and their resentment of this still persists.

25. With this history, the miners will not quietly accept the use of Servicemen in 1982 in the way that other groups (eg firemen and ambulancemen) have in the past.

26. To move the required coal within 12-14 weeks, lorries driven by Servicemen would have to move it from the pitheads and into about 20 power stations every few minutes of the day and night throughout that period. The NUM would do their utmost to stop them by picketting - both lawfully (at miners' own pitheads) and unlawfully (for example at power stations). They are unlikely to be deterred by the prospect of civil actions (eg by the CEGB) for unlawful picketting causing breach of contract. Obstruction by pickets of a site entrance would be a criminal offence. To deal with such obstruction (with or without arrests) the police would need at least equal numbers at the site. On any given day Servicemen would require access to about 50-60 sites (pitheads and power stations). Probably no more than about 20,000 policemen would be available for this purpose over any extended period. There are about 240,000 miners. The NUM could therefore simultaneously deploy several thousand pickets at each power station and several hundred at each pithead; and they could ensure that a minimum of several hundred pickets remained constantly on duty at each of the sites involved. They could also quickly reinforce any site at which they looked like being outnumbered.

27. In theory the police would be able, if Ministers agree, to call on the army to provide military aid to the civil power in maintaining order. In practice this does not seem likely. In any case, only about 3-4,000 Servicemen could be equipped for this purpose. This would not add significantly to police manpower in relation to the likely number of pickets.

28. The arithmetic clearly demonstrates the difficulties which the police would face in trying to ensure the movement of coal to all the 20 or so power stations involved continuously day and night for 12-14 weeks, as would be required. Clashes with pickets in order to clear entrances would lead to violence and casualties. And before deciding to mount an operation, the police on the ground would have to take into account

the prospects of such casualties, as well as the number of police available. Inevitably, daily pitched battles shown on television would affect public perception of the strike.

29. It is impossible to guess at what the impact of picketting might be on the volume of coal delivered to the power stations by Servicemen. But if in the event only half the necessary coal was moved within the 12-14 week period, power station endurance would be increased by only about a fortnight through the use of Servicemen.

SYMPATHETIC ACTION BY OTHER WORKERS

30. We have assumed in this report that British Rail workers would not co-operate in moving coal into the power stations in the event of a miners' strike, but that power station workers would be prepared to handle coal and ancillary materials brought in by Servicemen through the picket lines. Power workers have co-operated in previous miners' strikes and we have no particular reason to believe that they would not do so again. However, Servicemen were not employed in previous strikes; and to use them in the way envisaged in this report would mean calling on Service assistance as soon as a miners' strike began, when power station coal stocks seemed high, electricity supply restrictions were not in prospect and there appeared to be no immediate crisis requiring the use of Servicemen. The possibility that power station workers might not be prepared to co-operate cannot, therefore, be lightly ruled out. If they do not, power station management are unlikely to be able to keep power stations operating for more than a short period.

CONCLUSIONS

31. We think that the Services probably have the capacity to move all the useable pithead coal stocks to the power stations in the time available and to replenish ancillary stocks by road, but further consultations, which are summarised below, would be required before this could be confirmed and detailed plans drawn up. The movement of all the coal would extend endurance by about 5 weeks. However, given the extent

to which the operation could be disrupted and curtailed by picketting and obstruction and that it cannot be guaranteed that the police could maintain a way through the pickets, there must be considerable doubt as to whether the Services could be sufficiently successful in practice with the delivery of coal, in particular, as significantly to extend endurance. It is also possible that power station workers might refuse to handle coal brought in by Servicemen.

32. The following is the further work which would be required before the Services' ability to move coal and ancillaries to the power stations by road could be confirmed, the costs of doing so estimated, detailed plans drawn up and a reasonably certain estimate made of by how much this would extend endurance -

a. an analysis of NCB pithead stocks to determine what proportion of them would be useable in the power stations;

b. an examination of NCB depots and power stations to see whether pithead loading equipment could be adapted for loading lorries; to confirm that the assumed loading and unloading schedule is feasible; to allow a more precise specification to be drawn up of the number and type of loading and unloading equipments likely to be required and of the number of lorries to be requisitioned; and to determine whether the problems of vehicle access might be eased by minor construction work; and

c. consultations with power station management about the suppliers of ancillary materials and with both these suppliers and power station management about the Services' ability to handle and transport ancillaries to the power stations and the need for specialised vehicles.

The operation could be mounted more quickly if steps had been taken to identify in advance the sources and location of suitable loading and unloading equipment.

33. These consultations would probably take 4-6 weeks and would undoubtedly become public knowledge fairly quickly. We think it would be impossible to conceal their true purpose and, since some of them would have to be undertaken by military officers, it would be apparent that the use of Servicemen was being contemplated. It might be difficult to persuade some people that the Government was engaged only in contingency planning and was not actively seeking a confrontation, which could have the perverse effect of increasing the likelihood of industrial conflict with the miners during 1982. Ministers will therefore wish to consider whether to authorise such consultations and, if so, what the timing of them should be. Early consultations would allow the maximum time to devise workable solutions to any major problems that might emerge. But in practice the consultations could be delayed for some time; indeed, if Ministers were prepared to run the risk that the plans discussed in this report might not prove practicable, consultations could be left until there was a clear and imminent threat of a miners' strike.

34. We doubt whether it would be possible for Servicemen to deliver coal to the power stations by rail, although we think that early consultations should be held with the highest level of British Rail management (which we are confident would remain confidential) about whether the problems we have identified might be susceptible of solution and about the likely attitude of British Rail staff to the use of Servicemen in this way in the event of a miners' strike, before this option is finally ruled out.

35. Accordingly, we invite Ministers -

i. to consider whether the various consultations summarised in paragraph 32 should be initiated and, if so, what the timing of them should be; and whether officials should subsequently report further on the likely costs of preparing for the use of Servicemen before any action is put in hand, even if they do not wish these consultations to take place.

ii. to authorise confidential consultations at an early date with the highest level of British Rail management about the use of Servicemen to transport coal to the power stations by rail.

Cabinet Office

2 December 1981

RAIL TRANSPORT

1. The earlier MISC 57 report identified three main obstacles to the use of Servicemen to drive coal trains between the mines and the power stations, namely -

i. non co-operation by British Railways (BR) staff with signalling etc; and

ii. the difficulty of arranging for the training of Servicemen to drive the trains including the necessary familiarisation with the routes in question;

iii. possible sabotage by the strikers.

Attitude of British Rail Staff

2. Full consideration of the attitude of British rail Staff - who will be required for tasks such as signalling, system maintenance etc - will require consultation with British Rail management, as will consideration of the measures that might be possible to overcome a refusal by the staff to co-operate. At this stage it is only possible to say that many of these tasks are not within the capability of the Services and alternative means of carrying them out will therefore have to be found if the operation is to succeed.

Training Servicemen to Drive Trains

3. About 200-300 Servicemen would be required to drive the trains needed to move coal by rail from the pits to the power stations in adequate quantities. They would have to be trained from scratch, most probably by BR staff since the Army has only 23 train drivers, none of whom have any experience of heavy locomotives of the kind used in coal transport. We estimate that men could be trained in about five weeks. The training would have to cover two elements: familiarisation with the type of locomotive (predominantly Class 56) and with the long, heavy trains used and the learning of the routes to be travelled. Without consultation with BR it is not possible to be sure how much of the training time would be needed for each element but we estimate that the first element might account for some 10 days.

4. Although it would be a significant departure from the current policy, we have considered whether it might be possible to carry out any part of the necessary training in advance. BR owns all the Class 56 locomotives which are in use in this

country and any training on them would involve the full knowledge and co-operation of BR staff. Because of the restrictions on knowledge of this work, we have not discussed with BR management the possibility of doing so, but it seems unlikely that this co-operation would be forthcoming, especially since the use of Servicemen to drive trains would improve HMG's ability to resist a rail strike as well as a miners' strike. We can also see no way in which such training could be explained to the unions in a manner that would disguise its real purpose.

5. At least one United Kingdom railway preservation society has a diesel locomotive, though not of precisely the right type, and might be able to offer some of the necessary facilities, but it seems unlikely that these could be used to train Servicemen, even if the Society was prepared to co-operate, without the trades unions becoming aware of what was going on and applying pressure on the Society to withdraw co-operation.

6. It is possible that the first element of the training could be done abroad, although Continental and US railway practices differ from those in the UK and neither the US nor our other NATO allies operate a Class 56 locomotive. It is, therefore, more likely that it would be necessary for a Class 56 locomotive and train of air-braked waggons to be purchased and for special training facilities to be established. It would not be easy to maintain secrecy since the ownership and location of individual locomotives are followed with close interest in railway circles. The facilities would require the laying of a suitable length of track for realistic training and the recruitment of experienced drivers to provide instruction. One locomotive and a set of waggons would cost roughly £1-1½ million and the track approximately £½ million. These costs would be substantially increased if it proved necessary to duplicate some of the facilities in order to provide the necessary output of trained men. We have not, however, been able to establish the likely order of the recurrent costs (fuel, pay etc) not have we been able to establish the practicability or cost of acquiring the necessary land whether in the UK or in an overseas location. These would have to be matters for further study if it is considered that this possibility should be followed up.

7. Even if this training were carried out it would account for only 10 days of the five week training and the problem of learning the routes would remain. If the co-operation of BR staff were forthcoming this could be achieved but in the absence of such co-operation (and as we have already observed this seems to us the most likely situation) nothing could be done and the effort devoted to the first element of the training would thus largely be wasted.

8. It is, however, possible that BR staff although not prepared to co-operate in advance, would be prepared to do so during a strike when faced with the alternative of substantial disruption of the community. In these circumstances it might be expected that they would then drive the coal trains themselves but it could be that they would be deterred from this by miners' pickets. If so Service drivers would still be required and any advance training would then somewhat reduce the time taken to prepare them for the task. A decision to complete the training of these Servicemen, would, however, reduce the number available to move coal by road since the train drivers and the drivers of heavy lorries must be drawn from the same pool. Advance training would reduce the time for which the trainees were unproductive and might, to the extent that the miners believed that the training represented a real capacity to move coal from the NCB stocks and were deterred by the prospect of a strike long enough to exhaust them, strengthen the Government's hand.

9. If it were decided that the completion of the first element of the training in advance would be worthwhile, the training of Servicemen would be a continuous requirement. In the first place it would be necessary to train more than the 200 to 300 required to drive the trains during a strike, to take account of those men whom the Services could not, in the event, make available for operational reasons. Further training would also be necessary to replace those who leave the Services before a strike occurred. Refresher training for the remainder would also be required from time to time. Thus, in the unlikely event that the initial training escaped notice, security would be a continuing problem.

Possible Sabotage

10. Although sabotage during the course of an industrial dispute has, in this country, been only a very rare occurrence and is not advocated by any of the trades unions, the possibility cannot be entirely ruled out. As the previous MISC 57 report concluded the Services could probably repair any such damage at least sufficiently for coal deliveries to be resumed but this might take time and supplies could be seriously delayed. Beyond this, there is little scope for advance planning before a more definite threat materialises.

cc/ A Duguid
J Vereker
B. Ingham

PM has seen

CONFIDENTIAL

Tel: 211 6402

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

1 December 1981

Dear Geoffrey

NUM WAGE NEGOTIATIONS

When we discussed public expenditure in Cabinet on 26 November it was left that we could consider further the form of your announcement on EFLs on 2 December.

As I made clear in my letter of 25 November to you and reiterated in Cabinet on Thursday, the decision to make the announcements about national insurance contributions, council house rents, EFLs etc on 2 December will result in the NCB negotiators coming under intense pressure to increase their offer by 2% or 3%. As the decisions on council house rents and national insurance contributions are likely to be much more controversial than the announcement of the EFLs I do not feel there is now any need for me to press you to alter the form of your proposed announcement on the EFLs of the nationalised industries, including coal. I would add that James Cowan, the Board's Chief Negotiator, has assured my officials that the Board will do everything they can to resist the pressure and to maintain the offer at about its current level. Nevertheless the Board may be forced to increase their offer, as I warned might be the case, if they are to avoid the probability of defeat in a pithead ballot.

I am sending copies of this letter to recipients of my letter of 25 November.

Yours ever
Nigel

NIGEL LAWSON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