



SECRET AND PERSONAL

Prime Minister (1)

P.0881

Agree 1 mile

MR SCHOLAR

Approved

as proposed?

ms 2/11

Industrial Action in the Coal Industry

Although the result of the miners' ballot will not formally be known until tomorrow, all the reports indicate a substantial vote in favour of the National Coal Board's pay offer and against industrial action. We must however continue to plan against the possibility of trouble next year. Even if pay has been settled for this year, pit closures will continue to be a matter of serious concern to the miners; and in future years it may not prove easy to persuade the miners to accept modest pay settlements.

2. Ministers will therefore need to consider the following matters:

- i. what should be the target level of power station coal stocks next autumn and what action should be put in hand from now on to achieve that level;
- ii. what action is necessary to bring the level of stocks of lighting-up oil and other ancillary materials in line with the target level of coal stocks;
- iii. what further action might be taken to induce coal burning industry to build up its stocks in the late summer of next year.

3. On i. our planning for this year's possible strike showed how difficult it would be to replenish coal stocks once a strike had begun. We cannot plan for higher power station coal stocks than this year's levels unless power station coal storage capacity can be increased. We therefore need to consider urgently the cost and feasibility of planning for a higher level of power station coal stocks next autumn. Otherwise we shall be told in the New Year that it is already physically impossible to increase capacity in time. Moreover there is much to be said for taking any visible measures at a time when industrial action has just been ruled out.

4. On ii. work is already supposed to be in hand to increase storage capacity for ancillary materials but we shall need to be sure that the necessary action will now



SECRET AND PERSONAL

be pressed ahead quickly and that the levels to be provided for match those we regard as appropriate for coal.

5. On iii., we noted this year that coal burning manufacturing industry was likely to run out of supplies long before power station endurance came to an end. If power station endurance is further extended the gap will widen. It is therefore worth considering whether the NCB can be persuaded to introduce a low-price summer coal scheme for industry even more attractive than their normal arrangements.

Amend
6. If the Prime Minister agrees, the best way of proceeding would be for the Official Group on Coal (MISC 57), which I chair, to be commissioned to prepare a comprehensive report on these questions for Ministers. Depending on the Prime Minister's wishes, I attach the draft of a letter which you might send to the Department of Energy for this purpose.

CONQUEROR

PLG

P L GREGSON

1 November 1982

SECRET AND PERSONAL

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

WITHSTANDING INDUSTRIAL ACTION IN THE COAL INDUSTRY

Now that a pay settlement has been reached with the miners, the Prime Minister would like to consider at an early date what the Government's policy should be in the future towards power station coal stocks; and, in the light of this year's experience, what arrangements are being made at the power stations for increasing storage and manufacturing facilities for ancillary materials so that stocks of these can match the desired level of power station coal stocks.

2. As a basis for this, the Prime Minister would like the Official Group on Coal (MISC 57) to prepare a report for Ministers urgently on:

- i. what should be the target level of power station coal stocks next autumn (including if necessary an increase in coal storage facilities) and the steps necessary to achieve this by next autumn;
- ii. the adequacy of the storage and manufacturing facilities for ancillary materials planned for the power stations by next autumn and the steps that might be taken to increase these in the light of i.;
- iii. what further action might be taken to induce coal burning industry to build up its stocks in the late summer of next year.

The Prime Minister would like MISC 57 to report on this matter by the end of November.

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 John Sparrow and Sir Robert Armstrong.