

PRIME MINISTERCOAL ENDURANCE AND THE ASLEF DISPUTE

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

Coal Endurance

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

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

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

THE ASLEF DISPUTE

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

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

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

Officials should be asked for two pieces of further work:

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

BR's financial position

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



John Vereker

12 March 1982

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Ref: B06441

PRIME MINISTER

c Sir Robert Armstrong

Coal and the Railways

BACKGROUND

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

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

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

Power Station Coal Stocks

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

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

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

The ASLEF Dispute

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

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

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

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

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

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

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

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

HANDLING

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

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

9. You should then ask the Secretary of State for Transport to speak to his minute on ASLEF and strike prospects. The Secretary of State for Employment and the Chancellor of the Exchequer, in particular, should comment. The Secretaries of State for Industry and Energy may wish to speak on the implications of a strike for the chemical and steel industries and for oil supplies respectively. If further work on this seems necessary the Home Secretary could be asked to arrange for it to be done under CCU auspices. The Secretary of State for Transport should be asked to convey any further guidance that may prove necessary to the BRB.
10. Finally, you will want the meeting to confirm that, in the immediate future, extra half-rate oilburn should continue at the power stations; not because it is needed to build up next winter's stocks, but as a precaution against an early rail strike.

CONCLUSIONS

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



R L WADE-GERY

12th March 1982



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Continue to see please

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PRIME MINISTER

Coal and Railways Meeting

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

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

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

MLS

11 March 1982

Yes
not

Ref: B06440

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GJV

MR SCHOLARCoal and the Railways

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

- (i) the rate of coal deliveries to the power stations during 1982, on which Ministers deferred a decision at their meeting on 17th December; and
- (ii) the possibility of further industrial action on the railways following arbitration on flexible rostering.

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

3. Briefly the position appears to be as follows.

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

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

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

4. Ministers are invited -

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

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



R L WADE-GERY

11th March 1982



Transport
cc Coal File
bc Ingham
Veneker

10 DOWNING STREET

Transport

From the Private Secretary

3 March, 1982

Dear John,

I am writing to confirm that the Prime Minister is holding a meeting on Monday, 15 March at 1515 hrs at 10 Downing Street to discuss coal and the railways. The Chancellor will be represented by the Chief Secretary and it is possible that the Secretary of State for Defence will not be present.

I am copying this letter to John Kerr and Terry Mathews (HM Treasury), David Omand (Ministry of Defence), Jonathan Spencer (Department of Industry), Barnaby Shaw (Department of Employment), Julian West (Department of Energy), Anthony Mayer (Department of Transport), Muir Russell (Scottish Office), Robin Ibbs, David Wright and Robert Wade-Gery (Cabinet Office).

Yours sincerely
Caroline Stephen

John Halliday, Esq
Home Office

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