

Ref: B06441

Prime Minister

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

PRIME MINISTER

c Sir Robert Armstrong

Coal and the Railways

MUS 12/3

BACKGROUND

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

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

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

Power Station Coal Stocks

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



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

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

The ASLEF Dispute

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

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

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



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

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

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

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



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

*It would
over the year*

→ HANDLING

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

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



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

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

CONCLUSIONS

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

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

R L WADE-GERY

12th March 1982