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PRIME MINISTER

Coal Dispute

Mr. Walker originally requested this meeting to discuss the problem of replenishing coal stocks after the conclusion of the dispute. He is not circulating a paper but if pressed is likely to be able to provide figures. The position is, however, summarised in Mr. Gregson's note.

There is the related issue of the costs of the dispute and who will pay for it. Again Mr. Walker will come armed with figures. This issue is coming more into the open - see the attached cutting. The main questions are:-

i) Should the Government wait until the electricity industry itself puts forward proposals?

ii) Is an early rise better than a larger one later?

iii) Can it all be dealt with by increasing prices next year by an extra amount to recoup the shortfall below target this year?

As a subsidiary issue, you may want to discuss what line you should take in the House. You could be asked how the costs will be recouped. I suggest avoiding the formulation "this is a matter for the industry" as it is likely to provoke taunts about the 2 per cent increase in electricity prices. A better formulation would be "so far the costs have been borne by the industry but no decisions on increased prices have been taken".

/You

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MFJAAB

You could be asked to confirm specific figures on the costs of the dispute. These can be expressed in various ways:-

i) The gross costs of oil burn - around £50m a week.

ii) The net cost to the CEGB - around £20m a week.

iii) The net cost to the PSBR including policing and social security payments to miners - in the range £20-30m a week.

The main point to get across is that however the costs are measured they are small in relation to the ultimate benefits.

I suspect that Mr. Walker's purpose in coming to see you is not primarily to pursue these two issues. I believe he has had discussions with Mr. MacGregor on the latter's game-plan for bringing the dispute to an end. You will want to encourage Mr. Walker to share his thinking on this.

JT

14 May 1984

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al spent $9 million on its internal rtment last year and another $19 fees for outside lawyers.

hile, Continental is among eight ng sued for damages of $150 Republicbank of Dallas which banks were deceitful when they Republicbank to take over, as issue of debentures of Nucorp an exploration company which and went bankrupt in 1982.

ffort to improve its capital base, al, under its new chairman and utive David Taylor, started selling nong the first to go in March was card business which was sold to Bank for some $1 billion, for a of $176 million over net assets.

onth, Taylor warned shareholders mpany's annual general meeting performing loans, which had risen nillion in the first quarter, would $40 million this year if they se nor declined.

an half the $400 million increase to on came from Latin American ainly to Argentina and Venezuela, into which the bank expanded the 1970s. At the end of 1983, al had $2.47 billion of Latin -Caribbean loans outstanding. The status of many of the loans is questionable. Latin America is an economic tinderbox.

But the bank's latest troubles arose closer to home. On Good Friday, Charter Co., a diversified oil-marketing-to-financial-services company, and 43 subsidiaries filed for reorganisation under Chapter 11 of the Bankruptcy Code.

Charter has amassed unsecured loans of $215 million, of which $37 million came from Continental. Last week, Charter rejected a $20 million emergency loan package from its nine largest unsecured creditors, including Continental. Whether Charter will emerge from reorganisation without having sold off its profitable, and (unaffected) subsidiaries, is uncertain.

Last week, yet another Continental borrower, Public Service Co. of New Hampshire, was declared in default when it failed to make a $3 million principal payment on a loan provided by four banks. Public Service, a utility, is building the Seabrook nuclear facility. In an effort to stave off bankruptcy, its banks, including Continental, have planned to lend it another $75 million. Meanwhile, Merrill Lynch is also trying to put together a $1 billion debenture package.

Charter and Public Service went on the skids in the wake of Continental announcing a 6 per cent drop in first quarter net income to $29.2 million, or 67 cents a share, despite the benefit of the sale of the credit card business. Last year, the bank's net earnings fell to $101.1 million, including an investment gain of $2.3 million, but before an extraordinary credit of $7.1 million. In 1982, the bank's net income was $260.3 million.

Propaganda blitz from BR

by ROBERT TAYLOR, Labour Editor

BRITISH RAIL intends to launch a propaganda blitzkrieg, warning its employees that the rail system will face massive cuts, compulsory redundancies, and a drastic reduction in Government cash support if they back their unions in the proposed work to rule, and overtime ban due to start on 30 May.

BR chairman Bob Reid will spell out the hard facts of economic life in newspaper advertisements and letters to all railway workers shortly. He hopes to provoke a widespread rank and file rebellion against

The railway workers will be told that plans for electrification on Inter-City routes would have to be scaled down in the event of widespread chaos on the network. The coal dispute is already costing BR £5 million a week in lost revenue and the 4 per cent pay offer linked to productivity might have to be abandoned if the overtime ban and work to rule bites hard.

BR remains hopeful that the rail union leaders — Jimmy Knapp of the National Union of Railwaymen and Ray Buckton of ASLEF—will see sense and agree to refer the tangled pay/productivity issue to the rail industry's own conciliation

Electricity price to rise

by ROBIN McKIE

ELECTRICITY prices are to rise by 1.5 per cent because of the miners' strike — and bills will rise by a further 1.5 per cent for each month the dispute continues, electricity chiefs have warned.

The Central Electricity Generating Board says the rises are inevitable because its expensive oil-burning generating stations are now operating at maximum capacity. They are supplying 20 per cent of the board's total output, compared with a normal three per cent figure.

Oil stations are 50 per cent more expensive to run and their use has added £100 million to power costs. Now they are operating at full strength, they are adding £20 million every week to the board's bill.

However, the CEGB still has to decide whether to make price rises this year or next. 'On one hand, people have a right to expect a big organisation like us to ride with the punches and to leave the tariff we have just fixed until next year,' the CEGB chairman, Sir Walter Marshall, told *The Observer*.

'On the other hand, if we make increases now, the consumer will at least realise this dispute is costing them money. It is a decision I don't want to make without full discussions with my board of directors.'

But it is clear that whenever the price rises are announced, the Government will then stress they have been caused by the miners' action.

Electricity officials estimate that the present £100 million cost rise will force another 1.5 per cent on to prices. Every five weeks, a further 1.5 per cent will be added to that bill, although this rate might slow down in mid-summer as power demands fall.

Sir Walter adds that the CEGB has no choice but to pass on the price rises to consumers. 'We are empowered to break even and so have to pass this rise on. It is just a matter of when.'

Sir Walter also confirms the claim made by Energy Secretary Peter Walker that the board has six months' supply of coal left at stations, on top of supplies coming from Nottinghamshire mines. Sources suggest stocks are about 20 million tonnes, down from 28 million tonnes when the dispute started.

But he denies that the board's demands for oil are having a significant effect on oil prices.

This view is not supported by last week's Petroleum Intelligence Weekly which stated that British generating demands are adding 500,000 barrels per day to current crude oil demands and that this is having an unexpectedly wide effect on the world oil market.

This is likely to push up spot crude oil prices — which will have the effect of strengthening the price of British oil.

Inside

Coal News.

~~[illegible]~~ 49

43 full

6 part production.

Attendances up.

? Lancashire pits?

—

Scargill - end of Dec.] Govt's role
Taxpayer

Marshall — £40.

£23m

Mansfield. 90–100 Police

Batter charge — 10% more miners

Most decent people are sickened by it.

Against rules of union to declare strike.