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Continues is sitting up meeting.



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CC ~~W. J. ...~~ ~~...~~ ~~...~~

Mr Ibbs thinks 1 1/2 m tons is too little; but he suggests we need a meeting with Mr Howell and Donald Hamilton before imposing a higher figure on him.

Qa 05389

12 June 1981

To: MR LANKESTER ✓

From: J R IBBS

Yes
me

MOVEMENT OF COAL TO POWER STATIONS

1. The Government's objective should be to maximise coal stocks at power stations as a deterrent to industrial action by the NUM in the Autumn. Also, if a strike occurs, it would give the Government longer to resist extremists and reach as low a settlement as is acceptable to the moderates.

The balance of risks and benefits does have to be weighed.

2. The extra stocks, whether 4mt or 1 1/2mt, would not enable the Government to live out a lengthy and bitter strike. 4mt is about two week's usage; 1 1/2mt is therefore a virtually negligible contribution to the Government's position in the Autumn. The maximum stocks at power stations, with all possible measures, are likely to give about 14 weeks endurance - the length of the 1980 steel strike.

Shall we arrange an early meeting?

3. Clearly the more there is movement of stocks, the more noticeable this becomes and the greater is the risk of hardening attitudes; in turn, this could make it more difficult for the Government to achieve a satisfactory outcome both on the closure/investment issues left over from February and on the forthcoming NUM wage claim. The judgement to be made is at what point the benefit from building larger deterrent stocks is outweighed by the difficulties/risks resulting from an associated deterioration of attitudes. (John Hoskyns has put forward a somewhat different view, namely that build up overtly of stocks might in itself be helpful in its effect on attitudes).

12/6

4. Judgement on the balance of argument should not be made without greater knowledge than is available from Mr Howell's minute.



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5. There is clearly a need to probe thoroughly whether the judgement leading to the recommendation of only $1\frac{1}{2}$ mt is soundly based. Against the original promise of movement of 4 - 5mt, $1\frac{1}{2}$ mt is quite unsatisfactory; both the reduction and the delay that have occurred are disturbing. It would be wrong to accept the proposal of $1\frac{1}{2}$ mt without probing the arguments advanced for constraining additional stocks to this level. However, until the strength of the arguments has been established, it would be unwise to impose a higher figure than that proposed by the Secretary of State.

6. In my view the appropriate course would be for the Prime Minister, before reaching a decision, to have a discussion with the Secretary of State and the Permanent Secretary. I should very much like to be present if that were possible, as display of the arguments should shed further light on the general coal problem.

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

SR