

SECRET

10 June 1981

Policy Unit

A 23

PRIME MINISTER

COAL STOCKS

1. On 5 March, E decided that "as much coal as possible" should be transferred from pitheads to power stations.
2. Clive Whitmore's letter of 7 April said D/Energy considered that an extra 4-5m tons could be transferred within about four months of a decision to do so. It said that you now wished to discuss whether the advantages of extended endurance outweighed the disadvantages of what could be seen as a highly provocative operation.
3. Despite Jim Prior's view that the risks of provocation were so great that the subject should not even be discussed with the industries involved, your meeting of 14 April took a clear decision that 4-5m tons should be moved.
4. Now, when four of the eight months between E's decision in principle and the danger period in October have elapsed, David Howell suggests that we should only move 1½m tons. He admits (paragraph 5) that there is still time to move more than this, but argues that it should not be done because it would be provocative and expensive. But these objections were considered and rejected in April.
5. We think that Ministers should stand by their decision in April. We do not believe that the act of increasing overtime in order to move extra coal will itself spontaneously generate strike action; nor, as we understand it, do even the Department of Employment argue this. Instead, they think it will risk "hardening attitudes". We must stop and think what this means.
6. When pay negotiations take place in the autumn, the NUM will put the final offer to a ballot. A 55% majority is required for strike action. Many factors will enter into the voting pattern. No doubt a pay offer that is widely regarded as "derisory" would be rejected. But if there is room for argument about whether the offer is reasonable, one very important factor in deciding how individuals vote will be their own perception of just how uncomfortable a strike would be. In short, they will ask themselves whether it's worth it. High coal stocks at the power stations will influence that judgment, probably

SECRET

SECRET

more than any other measure available to Government. That is why we think Ministers should stand by the decision they reached in April, whatever the result of the studies now being undertaken. We believe that to falter now will actually increase the chances of strike action.

I am copying this minute to Geoffrey Howe, Robin Ibbs and Sir Robert Armstrong.

JH
JOHN HOSKYNs

P.S. It is also not clear whether they have sorted out the financial implications with the Treasury, though they were asked to do this.

TL
..

SECRET