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PS/ *Secretary of State for Industry*

16 January 1980

Tim Lankester Esq  
Private Secretary to the  
Prime Minister  
10 Downing Street  
London SW1

*Dear Tim,*

STEEL STRIKE: ENDURANCE OF USER INDUSTRIES

... Further to the situation report circulated under cover of my letter of 15 January, and as additional background to tomorrow's Cabinet discussion, I attach a note giving a more detailed assessment of the endurance of sectors of industries mainly dependent on steel.

I am copying this letter to the Private Secretaries to the members of the Cabinet, the Minister of Transport, the Chief Whip and Sir Robert Armstrong.

*Yours ever,  
Pete*

PETER STREDDER  
Private Secretary

STEEL STRIKE: POTENTIAL ENDURANCE OF MAJOR USER SECTORS

1 In mid-December, the Department's assessment of steel stocks at users' works and at stockholders was that overall there was sufficient steel for about 3 months normal consumption, but stocks were much lower in important areas like tinplate for cans, sheet steel for automotive use and electrical engineering, for specialised engineering applications (eg drop forgings for components, process plant). In these cases, depending on the level of imports, it was thought that problems might arise within a month.

2 With the strike continuing into its third week the pattern of steel supplies is such that imbalances are appearing in the areas normally heavily dependent on BSC. The private sector steel producers have worked almost normally, with the exception of two companies in Sheffield, jointly owned with BSC, and despite heavy picketing in some areas. They have maintained good deliveries of steel direct to users and to stockholders. Stockholders, apart from those in BSC ownership, and despite some picketing, have maintained nearly normal levels of customer deliveries. There have been some steel imports direct to users and some into stockholders, whilst other imported steel has been offloaded from ships and put into storage at the docks and elsewhere. The overall effect is estimated to have maintained, in tonnage terms, 40 to 50% of normal levels of steel supply to user companies. The steel stockholders estimate that without replenishment their stocks would support the present pattern and rate of delivery for 6 weeks but this depends very much on the effects of picketing which is particularly heavy in Scotland and the Midlands. Equally important is the willingness of road transport drivers to continue to cross picket lines.

3 The assessment below is based on current estimates of users stocks, continuation of deliveries at the levels achieved by private sector companies and by stockholders in the past 2 weeks, and very limited imports. Inevitably there is a reflection of the loss of supplies in which BSC normally predominates. On average, user sectors are thought to have stocks for an endurance of 4-6 weeks from now, without serious problems, but some sectors which are heavily BSC dependent are expecting difficulties in 2-3 weeks.

(a) Shipbuilding Whilst general steel stocks are adequate for several weeks, four companies which had scheduled big deliveries from BSC in January have indicated problems in 4 weeks.

(b) Offshore Fabricators Some local shortages of specialised steels have already occurred and major effects are predicted by the end of January.

(c) Heavy Engineering-Process Plant This sector is heavily dependent on BSC. A number of companies have had very little steel delivered since the strike began. Current stocks are estimated to last 4 weeks.

(d) Electrical Engineering General stocks are sufficient for about 6 weeks, but for specialised steels they are less eg sheet steel for transformers where stocks are sufficient for 3-4 weeks.

(e) Bearings This sector is 80% dependent on BSC. Since the strike some steel has been received from the private sector, and stockholders. Overall endurance is estimated to be 4 weeks, but one company will have problems by the end of January.

(f) Drop Forgings (eg automotive components) General stocks are sufficient for 4/5 weeks but some specialised areas could have problems in 2/3 weeks, dependent on pattern of private sector deliveries.

(g) Motor Vehicles British Leyland expect, with some rescheduling, to be able to maintain production of vehicles into early February, despite the effects of picketing on supplies to, and deliveries from their plant at Llanelli which produces car body pressings. Other Leyland plants in the Midlands and in Scotland are picketed but normal production should be possible into early February. The other motor manufacturers estimate normal production for up to 4 weeks, providing present supplies are maintained.

(h) Tinplate Can Producers BSC is the only UK source of tinplate. Picketing has led to problems at the Metal Box factory at Neath which produces 30% of the can ends for their food cans. Output of food cans from the company should be normal this week but will drop by 50% next week if the picketing difficulties are not resolved. Overall stocks of tinplate in Metal Box are sufficient for 3-4 weeks but some is not ideal for food cans. The other major food can manufacturers using tinplate are being picketed in South Wales but not elsewhere. On present stocks they expect can production to be maintained for 3-4 weeks.

MAFF do not consider that the above represents any cause for concern at present. Food canners carry a few days stock of cans in their factories and a minimum of 2/3 weeks of canned products which are currently being processed. Downstream from the food canners, wholesalers and retailers carry at least 2 weeks supply of canned foods.

(i) Domestic Electrical Appliances This sector is normally heavily dependent on BSC and imports for sheet steel. Current stocks are sufficient for 3-4 weeks operation.

(j) Mining Machinery Some companies in this sector expect to have problems by the end of January.

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(e) Business This sector is 20% dependent on 250,000 tons of steel which has been received from the private sector, and stockholders. However, enquiries are estimated to be 4 weeks, but one company will have trouble by the end of January.

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