

Covering SECRET



Prime Minister (2)

cc DP  
M Gregson

To note. The cost of the dispute and who bears it are on the agenda for the meeting with H Walker on 15 May

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

AT  
8/5

23

8 May 1984

Andrew Turnbull Esq  
No 10 Downing Street  
LONDON SW1

Dear Andrew,

COAL STRIKE COSTS

... I enclose the note on the costs of the current coal strike which the Chancellor promised to send the Prime Minister at his meeting with her last week.

Yours sincerely,

Margaret O'Mara

Miss M O'Mara



## COAL STRIKE COSTS

This note provides some broad figures on the costs of the current coal strike.

### A. Cost of oil burn to the CEGB

2. The CEGB is now burning extra oil rather than using coal to generate electricity.
3. In April as a whole the extra cost of oil to the CEGB was £50 million. This was the period during which the CEGB was moving to full oil burn. We are now at full oil burn and the extra cost of oil is now £50 million a week.
4. Against this gross cost can be set the CEGB's savings of £30 million a week from using less coal. On this basis the net extra cost to the CEGB of full oil burn is £20 million a week.

### B. Public expenditure and PSBR

5. In public expenditure terms the CEGB's saving on coal is cancelled out by the related loss of NCB revenue. So the relevant costs are the £50 million a week cost of extra oil that the CEGB will have to bear if this is not recovered from consumers through a temporary increase in prices; and the immediate impact of the strike on the NCB, which is to save <sup>expenses</sup> miners' pay of £40 million a week. These together give a net cost of £10 million a week. As from the beginning of May, there will be a further loss to the NCB of up to £10 million a week in sales to the private sector.

6. Elsewhere in the public sector additional costs are arising of the following order:

Policing .	£2-3 million a week
Social security payments to miners	<u>£1½ million</u> a week
British Rail loss of revenue	£3 million a week

It is likely that British Steel are also losing revenue but they are unwilling to put a figure on this.



7. The increased costs of oil burn can be met either by allowing the additional cost to the CEGB of oil burn to feed through into temporarily higher electricity prices, or by accepting a claim within the public expenditure contingency reserve. However, it is already clear that the contingency reserve is likely to be under considerable pressure from other claims during the course of this year. So the second option could, over a period of weeks, substantially threaten our ability to hold to the aggregate public expenditure and PSBR targets.

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