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Misc 57(85)6  
27 March 1985

COPY NO 19

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OFFICIAL GROUP ON COAL

LESSONS OF THE MINERS' STRIKE: DEPARTMENT OF TRADE AND INDUSTRY ASPECTS

Note by the Secretaries

Material, provided by the Department of Trade and Industry for discussion at the Group's meeting on 2 April, is attached as follows:

- Effects of the strike on - Industrial output - Annex A
- Raw materials - Annex B
- Small businesses - Annex C

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Signed J A J BUDD  
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Cabinet Office  
27 March 1985

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## Effects of the Miners' Strike on Industrial Output Generally

Some 20% of industry's energy needs are provided directly by coal. Three sectors are heavily dependent on coal - iron and steel (52%) cement (37%) and engineering (17%). If these are excluded, coal accounts for only 8% of industry's energy. Most coal for steelmaking is imported, but before the strike 95% was supplied by the NCB.

When the strike began distributed coal stocks were at a high level; sufficient to endure a complete cessation of supplies for 2 months in most cases. In fact the NCB continued to supply industry throughout the strike - at rates varying between 30% and 80% of normal deliveries. Coal imports increased dramatically - by over 90%. With CBI encouragement industry economised and switched to other fuels where possible. These factors together account for the remarkable fact that industry survived the strike without closures and without reductions in output attributable to shortages of coal and coke.

The only notable exception was the BSC which had to reduce output for a time at particular plants either because supplies were running low or because quality problems were being experienced. In April, for example, steel output was 10% down on pre-strike levels, but by July this shortfall had been eliminated. In the spring Scunthorpe was worst affected with output at 30,000 tonnes down to 50% of pre-strike levels for a lengthy period. At the same time output at Ravenscraig and Llanwern was only 85% of normal. However, these losses were considerably offset by above normal production at Teeside and Port Talbot where supplies were ample, and at the electric arc furnaces in Sheffield.

Fears of shortages were expressed from time to time in other sectors - for example a few paper mills, the leather industry, some foundries, Ford at Dagenham - but none materialised. The main worry in the early autumn was whether the winter space heating demand from industry and commerce could be met (up to 250,000 tonnes per week) but again these fears proved groundless.

The only sector to be seriously affected were the supplies of material and equipment to the NCB - business worth about £1.3 bn to British companies. Of the 90 members of the Association of British Mining Equipment Companies, many of whom are very heavily dependent on sales to the NCB, over half had to introduce short-time working, a number declared redundancies and several went into liquidation. Anderson Strathclyde, for example, put 4,000 workers onto a 3-day week in May.

Although output was little affected in other sectors, the strike did increase costs for many companies. Imports of coal

seem to have been fairly readily obtainable but generally at a premium - this was most usually put at between 15% and 20%. A similar increase in fuel oil prices was also attributed to the strike.

Manufacturing output was 2½% higher in the 3 months to January than in the pre-strike period a year earlier. In 1983 manufacturing output increased by 3¼% compared with 2½% in 1982. These figures suggest that the adverse effect on industry was small and indeed the CSO has estimated that the adverse effect of the strike on manufacturing output in 1984 was only

## Effect of the Strike on Raw Materials

### 1 Iron Ore

The steel industry uses vast quantities of iron ore, all of which is imported. Three of the major plants are supplied from the docks by rail - Scunthorpe from Immingham, Ravenscraig from Hunterston and Llanwern from Port Talbot.

Supplies are therefore vulnerable to industrial action both at the docks and on the railways. The first threat to BSC's iron ore supplies occurred in June when the S. Wales NUM supported by the NUS, TGWU, ASLEF and NUR called for supplies of iron ore as well as coal to be blacked. Subsequently rail supplies to Scunthorpe and Hunterston were halted by the rail unions. Despite the quantities involved BSC were able to transport all the iron ore they needed by road (though at considerable cost). For example, some 50,000 tonnes of iron ore per week were transported from Port Talbot to Llanwern and some 65,000 tonnes from Immingham to Scunthorpe. However, the use of non-registered dock workers to load iron ore onto lorries at Immingham provided the pretext for the national dock strike in July.

No shortages of iron ore occurred or were ever in serious prospect during the miners' strike. Stocks of iron ore are held both at the ports and at steelworks. At the latter particularly stocks were ample, providing about 3 months endurance at all the major steelworks. Endurance in terms of iron ore was generally greater than in terms of coal and coke.

### 2 Coke

80% of coke is used by the iron and steel industry, almost wholly BSC. Coke is also a vital input to parts of non-ferrous metals and to iron foundries, but they use relatively small quantities. Consumption by foundries is only 6,000 tonnes a week. Both NCB and private production of coke was at a virtual standstill for most of the strike. Coke users were eventually able to secure imported supplies, but it was a close run thing in the first months especially for some of the foundries. Fortunately at this stage local dispensations were often allowed by the NUM once they were satisfied that a foundry would otherwise be forced to close.

At steelworks coke is often brought in and made on site. This gave some flexibility as between coal and coke, but not much since a correct blend of various qualities is essential. For example, although adequate quantities of coke were available on site at Scunthorpe at the time, it was still necessary to bring in supplies of high quality coke from Orgreave in order to achieve a safe blend.

When rail supplies of coke were blacked BSC was able to make adequate supplies by using lorries and imports. Supplies for Scunthorpe were obtained via Flixborough and supplies for Llanwern via Newport.

### 3 Other Raw Materials

No serious problems were experienced. Manufacturers of fertilisers were unable to obtain sulphate of ammonia from the NCB, but were able to buy on the spot market at a much higher price. During the brief dock strike there was concern about supplies of newsprint, alumina and some raw materials for chemical manufacture.

### EFFECT ON SMALL RETAIL BUSINESSES

The miner's strike took place during a period of strong and growing consumer demand, and its effects on the generality of consumer expenditure and retail sales are not thought to have been significant.

However, it is almost axiomatic that the retail sector in mining communities has been substantially affected by the depressed spending power of those on strike (and, to a lesser extent, those observing the long-running overtime ban). Quarterly reports from the DTI's Small Firms information centres and from the Bank of England's agents regularly contained anecdotal reference to the problems of such businesses. But as is common with the Small Firms sector, no significant figures are available.

Nor have DTI been able to establish a regional breakdown of retail performance - whether from retail statistics (no regional series available) or from larger retail groupings - from which to extrapolate to the plight of the small retailer.

While this lack of firm information is at first sight a matter of some concern, it must be remembered that the Government's policy of avoiding statistical and reporting burdens on small businesses precludes the availability of reliable figures of this sort; and the Government's established stance in respect of such businesses in difficulty was to rule out the possibility of any direct financial support for businesses affected by industrial action - however unfortunate, and however outwith the control of the businesses concerned.

It remains possible that some further information may be available, for example on company liquidations or via Inland Revenue and Customs and Excise appreciations of those applying for special treatment if it is thought necessary or instructive to pursue it.