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PRIME MINISTER

Withstanding an Oil Tanker Drivers' Strike

As part of the series of studies on withstanding strikes in key industries, an Official Group (MISC 63) has prepared the attached report on withstanding an oil tanker drivers' strike. The Group reviewed the position in other sectors of the oil industry, but concluded that the threat of industrial action was more credible and serious in relation to oil tanker drivers than elsewhere in this industry. Four of the major companies have pay negotiations in the late autumn, with a settlement date in November. Although there are some grounds for optimism about this year's negotiations, it is desirable for the Government to maintain existing contingency plans in a high state of readiness and to explore whether the plans can be improved and strengthened for future years. The Group's conclusions and recommendations are summarised in Section VI of the report.

2. The effects of an oil tanker drivers' strike would be serious and rapid, and there is no satisfactory alternative to relying on Service drivers as the main means of mitigating the effects. There is an existing plan (code name PARVENU) under which 4,000 Service drivers would deliver fuel to maintain essential services. There is however no provision for road haulage on which continued industrial output would depend, although some capacity may be available to relieve industrial pressure points which identify themselves in the course of a strike. There is also no provision for the private motorist.

3. If Ministers wish to meet the objective of withstanding a long strike, we shall have to see whether a more ambitious contingency plan for the use of Service drivers could be devised, which would need to deliver about 70 per cent of normal road-borne supplies, to meet the main requirements of road haulage, industry and essential private motoring, as well as those of the essential services. There are however constraints on the use of

Service drivers which are explained in Section IV of the report. Increasing the number beyond 5,000 would involve withdrawing drivers from British forces in Germany and a significant withdrawal would have important defence implications. We do not know how many extra drivers might be required because we need to discover what effect using additional Service drivers might have on the current assessment of their productivity compared with that of the normal civilian oil tanker drivers. We also need to be sure that Ministers would not regard a plan of this kind, designed to withstand rather than merely to mitigate the effects of a strike, and to maintain as much as 70 per cent of normal supplies, as an undesirable extension of the existing policy about the use of Servicemen as substitute labour.

4. The issues for Ministers are listed in paragraph 6.18 of the report. The most important points on which decisions are required are:

(a) should the objective be to withstand a long strike?

(b) are Ministers prepared in principle to contemplate the use of troops as substitute labour to maintain, say, 70 per cent of normal road-borne oil deliveries?

(c) if so, is the Civil Contingencies Unit authorised to explore the feasibility and desirability of such a plan, taking account of the possibility of using more Service drivers than are needed for the present plan and any changes it might prove realistic to make to current assumptions about their relative productivity?

5. I am sending copies of this minute to the Home Secretary, the Chancellor of the Exchequer, and the Secretaries of State for Energy, Defence, Scotland, Employment, Trade and Industry and Transport.

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ROBERT ARMSTRONG

13 October 1983

REPORT OF THE OFFICIAL GROUP ON OIL TANKER DRIVERS

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REPORT OF THE OFFICIAL GROUP ON OIL TANKER DRIVERS

I. INTRODUCTION

1.1 This report considers possible industrial action in the oil industry. Oil meets about 37 per cent of the United Kingdom's energy requirements. It provides virtually all the fuel used for transport, almost 32 per cent of the energy requirements of industry, all petroleum feedstock for the chemical industry and other products, such as lubricants, which are essential to the economy. The report examines the likelihood of industrial action in key sectors of the industry; the form that such action would be likely to take; the effects on the economy and the life of the community; and ways in which it might be possible to increase the capacity of the economy and the community to withstand those effects.

1.2 The oil industry in the United Kingdom includes 21 offshore oil fields, most of which are linked by undersea pipeline to 4 major shore terminals. Oil is transported by tanker from these terminals to refineries either in the United Kingdom or overseas. From the refineries, distribution to consumers in the United Kingdom is mainly through some 850 oil product terminals spread across the country. Although oil production now far exceeds domestic consumption, indigenous crudes are not well suited for manufacture of some special products consumed in the United Kingdom and some imports of crude therefore continue to be necessary. Movement of crude oil and oil products may be by ocean-going tanker, coastal tanker, inland waterway barge, pipeline, rail or road tanker.

1.3 For a variety of reasons, industrial action in many key sectors of the oil production and distribution industry is unlikely or comparatively easy to withstand or both. For example, interruptions in the flow of crude from offshore production platforms, or from onshore terminals, could be offset by additional crude imports, and product imports could similarly replace lost output from refineries, assuming no world wide shortages. Much of the functioning of terminals and pipelines is highly automated and could be maintained at an acceptable level by management or replacement labour in case of a strike by normal operators. Pay bargaining in much of the industry is on a company-by-company or even plant-by-plant basis, with little history of

sympathetic or co-ordinated industrial action. Industrial action by oil tanker drivers, on the other hand, would have serious effects which would be difficult to counter. About 70 per cent of oil products are moved in the last instance by road tankers. This includes all fuel for the private motorists and for road haulage. There is an eventful history of disputes, or threatened disputes, affecting road distribution of oil, although there is little experience of industrial action on an industry-wide scale. In 1981 a real threat of all-out strike action was withdrawn at the last moment. The main 1982 pay negotiations were protracted and difficult. The drivers are well aware of the strength of their industrial muscle.

1.4 For these reasons, the Group believes that the threat of industrial action is more credible and serious in road distribution than in any other key sector of the industry. The body of this report is therefore confined to the distribution of oil and oil products by road. The likelihood and probable effects of industrial action elsewhere in the industry, together with possible means of mitigating them, are dealt with more fully in Annex A.

II. THE INDUSTRIAL RELATIONS BACKGROUND

2.1 There are about 8,000 oil tanker drivers in the United Kingdom. Currently about 3,6000 of these are directly employed by the refining companies. 2,400 are employed by Authorised Distributors (ADs) full time on deliveries of product on behalf of refiners and operating from the latter's distribution terminals. Deliveries by or on behalf of refiners cover about 93 per cent of the market, and all the drivers involved belong to the Transport and General Workers Union (TGWU). AD drivers generally receive pay and conditions of employment comparable to those enjoyed by equivalent grades in the major companies. In the event of industrial action on the part of oil company drivers it must be assumed that all AD drivers operating from the affected distribution terminals will solidly support such action. This also applies to any AD company drivers who may be used on "non-branded" deliveries ie. independent sales over and above those made on behalf of a major.

2.2 In addition, the major companies regularly employ each winter the services of contractors for deliveries of heating oil. About 500 drivers are involved. The drivers concerned normally receive corresponding pay rates, and because of this and the location of their work they would be unlikely to escape involvement in disputes of the major companies, whose shop stewards keep a close eye on their activities.

2.3 There are also about 1,500 tanker drivers employed by independent merchants who are not directly affected by the major pay negotiations, but who in the main draw their oil from distribution terminals owned by the majors. There is no reliable information about trade union membership in this "small end" of oil distribution, but it is probable that most of the drivers concerned would become involved in disputes at the terminals from which they operate. A small number may escape involvement. Indpendent merchants supply about 7 per cent of the market. The lower output of this group reflects the mainly rural nature of the business.

Negotiating Arrangements

2.4 For tanker drivers, four major companies negotiate early in the pay round for a settlement date in November. Mobil settles in May: in 1983 this settlement was relatively modest at 5½ per cent. There is no national negotiating machinery; each company conducts its own separate negotiations with its own shop stewards, although they maintain close liaison with each other. TGWU national officers always take part in the negotiations at each major company and attempt to co-ordinate union tactics on an industry-wide basis. They have frequently pressed for formal industry-wide negotiating arrangements and settlements, but this has been resisted by the companies.

2.5 The main negotiations in the late Autumn are usually protracted and difficult and characterised by brinkmanship and threats of industrial action. It is not uncommon for such threats to result in action affecting one or other of the companies (as in December 1979, when both Shell and Esso were briefly affected) but industrial action throughout the industry has been rare. The last such occasion was early in 1978 when a ban on overtime and rest-day working took effect on an industry-wide basis.

Recent Pay Settlements

2.6 In round figures, pay settlements for tanker drivers in major companies in the last three pay rounds are as follows:

	80/81	% 81/82	82/83
BP	13	6½	5½
Shell	14	7	6
Esso	14	8	20
Texaco	14	8	6
Mobil	14½	7	5½

2.7 The figures shown above represent estimated increases in average earnings. The make-up of the settlements is invariably complex, including changes in basic rates, allowances, productivity payments etc. Because of this, press reports often convey a misleading picture by concentrating on one element such as basic rates. The 20 per cent increase for Esso drivers in 82/83 arose because over several years their overall earnings had gradually slipped behind the others. That settlement apart, the level of settlements for oil tanker drivers has been close to the national average in the last two pay rounds. In 80/81 it was very substantially above the national average. Current earnings of tanker drivers are estimated to range from about £210-240 per week.

Current Industrial Prospects

2.8 There is no way of forecasting at present how the pay negotiations during this Autumn may go. There are some grounds for optimism notably the relatively modest level of the Mobil settlement in early summber. Oil tanker drivers have much to lose from a prolonged stoppage and have never in fact mounted an all-out strike. They are unlikely to do so provided they are satisfied that their position at or near the top of the earnings league is being maintained. On the other hand, as stated earlier, the drivers are conscious of their industrial muscle in the battle for higher pay settlements and a tradition of brinkmanship has grown up. This tradition, together with the seriousness of the effects of a strike, makes it essential for the Government to maintain contingency plans at a high state of readiness

III. NATURE AND EFFECTS OF INDUSTRIAL ACTION

Normal Consumption

3.1 A number of heavy industrial users and other major consumers (such as airports) receive supplies of oil products direct by rail, water or pipeline. This comparatively small number of large consumers accounts for 30 per cent of daily deliveries of oil products in the United Kingdom (about 70,000 tonnes out of a total of 220,000 tonnes). The remaining 70 per cent, about 150,000 tonnes, is delivered to the consumer or point of sale by road.

3.2 Available statistics giving a breakdown of oil consumption, are very limited. However, the following estimates are a broad indication for groups which would be of interest in a tanker drivers' strike. Percentages relate to volume of total road-borne supplies. Industry consumes as fuel, raw

materials or ancillaries about 25 per cent (of which food industries account for about one fifth). About 8 per cent is consumed by public utilities, local authority essential services, and medical services. Public transport uses about 3 per cent, road hauliers 12 per cent and filling stations 35 per cent. A further 12 per cent is used for space heating.

Industrial Action Falling Short of a Strike

3.3 Industrial action which fell short of a strike might take the form of any or all of the following:

i. a work to rule;
ii. a ban on overtime;
iii. a ban on the use of contractors' vehicles.

3.4 Because pay and working conditions are negotiated indpendently by the major employers, it has been rare in the past for action of this kind to affect more than one company. On occasion it has been confined to one terminal. If a significant number of terminals in a number of companies became involved, however, such action might cause a shortfall of up to 25 per cent of normal road deliveries (18 per cent of total consumption) within 2-3 weeks. This would be reflected particularly in shortages of motor fuel, probably resulting in queues at filling stations, a tendency to "top-up" wherever possible and the general public disquiet usual at a time of fuel shortage. Shortages of fuel might have some effect on the capacity of the road haulage industry to move goods. The effect on other consumers of oil products would depend on the level of their stocks and on their ability to replenish them from their normal supplier or other sources. Stocks held by commercial and industrial users vary from nil to several weeks, but average around 3-5 weeks. All in all, it should be possible for shortages of this kind and at this level to be endured for many weeks at the cost of considerable inconvenience to road users and marginal effects on industrial output.

A Limited Strike

3.5 A strike by one or two companies alone would have rather more serious effects, which would extend to customers of other companies, given the system whereby companies draw from each other's terminals. If one or more major terminals are shut there are likely to be serious local shortages, as happened in the BP drivers' strike at the Grangemouth terminal in 1974. Non-striking

companies would find it difficult to switch supplies from other terminals and Government intervention may be needed, especially to control issues at filling stations. However, action by drivers in individual companies seems unlikely, given the evident dislike of drivers in any one company to take all-out strike action unless they are certain that their lead will be followed by tanker drivers in general.

An All-Out Strike

3.6 The effects of an all-out strike would be immediate and serious. In the absence of action by the Government to restore lost delivery capacity, filling stations would run dry within 2-3 days. Other bulk consumers would be affected as their stocks ran out. Some industrial consumers would be affected almost immediately, but the overall effect would grow progressively more serious as industrial stocks ran out in 3-5 weeks. Output would be affected well before this as shortages of road fuel reduced the ability of the road haulage industry to deliver components and raw materials and distribute finished goods. Emergency services and other services of importance to the health and well being of the community (eg. waste collection and disposal) would rapidly come to a halt in the absence of measures to allow them continued access to fuel supplies.

IV. DELIVERY RESOURCES DURING INDUSTRIAL ACTION

Limited Industrial Action

4.1 In the case of industrial action falling short of a strike, or of a limited strike, it would be up to consumers whose supplies were cut off or reduced to take what steps they could to secure supplies from alternative sources. Major oil companies not affected by a dispute might be reluctant to supply such consumers for fear of provoking sympathetic industrial action by their own drivers. While shortages remained in the range up to 25 per cent of normal road deliveries, it is unlikely that direct action by the Government could produce a net improvement in the situation. At greater levels of shortage, however, the Government might, in order to safeguard supplies to designated categories of essential users, wish to give the oil companies added flexibility in distributing the available supplies of oil by using powers under Section 4 of the Energy Act 1976 to release them from their normal contractual obligations and to use powers under the Act to restrict the availability of fuel from filling stations at certain times of day.

All-out strike: the basic options

4.2 The remainder of this Section is concerned with ways of mitigating the effects of an all-out strike. Of the three main approaches - building up stocks in advance of a strike, using alternative modes of supply, and using substitute labour - the first two are of little potential help in the case of an oil tanker drivers' strike. It might be possible for some consumers to increase the level of their stocks of oil products in the period leading up to industrial action. This could be of little help to filling stations, however, where stocks of only 2-3 days can normally be held. It is unlikely either that bulk consumers would be willing to expand their storage capacity temporarily in an emergency; or that they would be willing at other times to expand their general storage capacity as a precaution. Past experience suggests that consumers judge the costs of such expansion to be too high given the uncertain likelihood and duration of industrial action. Major consumers are also unlikely to be willing to incur the major costs of conversion from road to less vulnerable forms of supply such as pipeline except where the change is dictated primarily by technical and commercial considerations.

Substitute labour

4.3 Provision of substitute labour would appear to be the most practical way of mitigating the effects of an oil tanker drivers' strike. At present, some 6,500 drivers are employed by or on behalf of the refining companies in delivering 93 per cent of road-borne oil supplies; some of the remaining 1500 drivers who are employed by independent merchants in supplying 7 per cent of the market, mainly in rural areas, might not be affected by the strike. It would seem therefore that the first priority should be to seek substitutes for the drivers employed by or on behalf of the refining companies. No formal qualification is required beyond the class of Heavy Goods Vehicle Licence appropriate to the vehicle concerned (HGV 1 in the case of articulated vehicles, and HGV 2 in the case of the rest). Substitute drivers would however need to be adequately instructed about safety procedures and special technical aspects of the job.

4.4 Vehicles for the substitute drivers could be provided by requisitioning, using the Emergency Powers Act 1920 (Annex B describes emergency powers available under the 1920 Act and under the Energy Act 1976). The 1920 Act could be invoked once events had occurred or were about to occur of such a nature as to be calculated, by interfering with the supply and distribution of fuel or certain other essentials or with means of locomotion, to deprive the community or any substantial portion of it, of the essentials of life.

Civilian substitute drivers

4.5 There are two main potential sources of civilian substitute drivers. One is the pool of unemployed drivers holding HGV licences. 38,000 such drivers were unemployed in June 1982, the last date for which a figure is available. Another potential source is the pool of drivers employed by concerns other than the major oil companies who would otherwise be idle during a strike because of the unavailability of fuel for their heavy goods vehicles. It is known that in 1980 some 3,300 firms operated 21 or more heavy goods vehicles; the potential pool of drivers with HGV 1 and HGV 2 licences who might be idle during an oil tanker drivers' strike is undoubtedly large.

4.6 In considering how far it would be feasible and desirable to use civilian substitute drivers during an oil tanker drivers' strike, two areas of difficulty need to be assessed. One is the requirement for substitute drivers to be recruited, organised and controlled. The other is the industrial relations risk that the use of substitute civilian labour might widen the scope of industrial action for example to include interference with the production and landing of oil and its distribution by means other than road, thus seriously worsening the effects of the strike.

4.7 These considerations weigh particularly heavily against any attempt to recruit substitutes from the pool of unemployed drivers. Such action would give rise to accusations that the Government and the oil companies were using "scab" labour to break the strike, a matter which carries a very heavy emotional charge for the trade unions. It could not be safely assumed that a sufficient number of unemployed drivers would come forward. Even if they did, there would be a major problem of organisation and control. The oil companies have made it clear that they would be opposed in principle to the use of civilian substitute drivers; and would not be willing to take a hand in their use except under clear direction from the Government. The Government would therefore have to take the initiative and would also have to assume responsibility for organising and deploying the substitute labour force, probably by using them in conjunction with, or under the control of, servicemen. This would carry the further risk that trade union opposition to service assistance, both in an oil tanker drivers strike and on other occasions, might be provoked or aggravated. The Group therefore concluded that the use of substitute labour from the pool of unemployed drivers might well be unworkable and that risks of escalation substantially outweighed the possible benefits.

4.8 The same considerations would not apply to the recruitment of unemployed drivers by small independent distributors of oil products who were managing to continue in operation and saw the possibility of expanding their operations temporarily. They would presumably obtain any additional tankers by their own efforts. The Government would not become involved in requisitioning or in any other way. Any increase in total distribution, although helpful, would however be likely to be marginal.

4.9 The main responsibility for drawing on the other principal source of civilian drivers - those employed by concerns whose heavy goods vehicles had been made idle by the strike - would also lie with non-unionised operators in the private sector. Where firms were able to use idle drivers to collect the fuel they needed, the Government would have the option of making available to them tankers requisitioned on the basis explained in paragraph 4.4 above. It is not clear however to what extent efforts on these lines would be effective. They might be thwarted by sympathetic action in the oil distribution centres, by the picketing of oil depots and firms' premises, by the blacking of firms taking such action and by lack of storage capacity, particularly in the case of smaller firms, to take a full tanker. The latter difficulty might be overcome by cooperative arrangements between small firms in the same area but this in turn could aggravate the industrial relations difficulties.

4.10 The Group concluded that although action on these lines appeared more practicable, and carried less industrial relations risks, than an attempt to recruit unemployed civilian drivers, it did not by itself offer the prospect of a reliable means of mitigating an oil tanker drivers' strike. The Government would become publicly involved through making available requisitioned tankers and this would carry the risk of provoking a widening of the industrial action. At best it seemed that action of this kind might be of marginal assistance in easing a few industrial pressure points. The Government would have to weigh carefully at the time the likely costs and benefits of making available requisitioned tankers.

Use of service drivers

4.11 The Group therefore concluded that there was no satisfactory alternative to relying on assistance from the armed services as the main means of mitigating the effects of an oil tanker drivers' strike, thus confirming earlier analysis by the Civil Contingencies Unit (CCU) who have for several years based their contingency planning on a Military Assistance to Civil Ministries (MACM) plan, code-named PARVENU. This provides for 4,000 qualified Service HGV drivers to be made available to drive oil tankers requisitioned from the oil companies and for a further 8,500 servicemen to be involved as drivers' mates and providing command and support services.

4.12 An important advantage of the use of service drivers is that they already exist as a clearly identifiable group whose qualifications and capabilities are precisely known, who are subject to strict military discipline and who are exempt, when operating under emergency powers, from many of the statutory restrictions applying to civilian drivers on such matters as, for example, drivers' hours.

4.13 There are industrial relations risks relating to the use of service drivers but these are not judged to be greater than those attaching to the use of civilian substitute drivers and could, in some circumstances, be less. Because of these risks it has been judged that it would not be worthwhile to contemplate the use of service drivers in a limited strike, since it would be highly likely to lead to a national stoppage of oil tanker drivers. In the event of a national stoppage the risks are of provoking sympathetic action, for example by other oil company employees involved in the production, landing and distribution of oil; and the distribution of bulk oil supplies by rail or water. Nevertheless, past experience such as the firemen's strike of 1978 has shown that servicemen can be used as substitutes for strikers without provoking sympathetic actions by unions not directly involved in a dispute. The likelihood of such action would be considerably stronger if servicemen were seen to be used for purposes which were not confined to basic services concerned with the life and health of the community, and this consideration is relevant to the general policy issue about the use of servicemen raised in paragraph 4.21 below.

4.14 Against this background, the Group considered the following issues relating to the provision of service drivers:

i. what are the constraints on the total number of service drivers which might be made available;

ii. whether there is an adequate match between likely need and provision in terms of the level of HGV licence required;

iii. what tonnage might be expected to be carried by given numbers of service drivers;

iv. how far there might be general policy constraints on the extent to which servicemen should be used as substitute labour in the event of industrial action.

Constraints on numbers

4.15 The number of service drivers at present provided under plan PARVENU, 4,000, was fixed at the time the plan was first drawn up when it was thought that this number would be required to deliver the 40,000 tonnes per day of oil products required to maintain the essentials of life. As is explained later in this section it is not now thought that as many drivers would be required for this level of supply. 1,000 more drivers, making 5,000 in all, could be provided from units in the United Kingdom at the expense of further impact upon the training and administrative activities of the services in the United Kingdom. Additional drivers could be found only from British Forces in Germany. Withdrawal from there of any significant number of drivers would reduce the speed and effectiveness with which the Forces in Germany could be mobilised to such an extent as to undermine the validity of current NATO operational plans. Furthermore, the withdrawal would reduce the in-theatre force level to below the 75 per cent level stipulated by ACE Force Standards. Although the implications for mobilisation are the more serious, both of these effects are likely to generate protests from SACEUR and our NATO allies. Increases in the number of Service drivers would need to be matched by a corresponding increase in the number of drivers' mates and by some further increase in the manpower needed for support and command, and this too would be difficult, but not so much so as the provision of extra drivers. Although the supply of Service drivers additional to the currently required 4,000 would be difficult at any time, it would be particularly so if the call came when substantial military exercises were imminent or in hand (usually in the late summer or early autumn) and would probably then involve cancellations, possibly of high profile in political terms.

Adequacy of HGV licences

4.16 There has been a growing tendency in recent years for the oil companies both to reduce the overall number of tankers and to increase the proportion of larger articulated tankers for which HGV1 licences are required. The

latest estimate of the total of articulated vehicles is 2442 compared with some 1700 service drivers available with HGV1 licences. A serviceman holding an HGV2 licence can be brought up to Grade 1 standard within five days. It is clearly desirable to avoid any serious mismatch in the availability of HGV1 licence holders, both in the interests of maintaining the effectiveness of the present plan PARVENU for dealing with a strike in the immediate future and in the context of any new plan which Ministers might wish to have drawn up. The Service capacity for HGV1 training is however geared to their own needs and there is no scope for more than a marginal expansion until such time as requisitioned vehicles are available. Once they are available 200 drivers could be up-graded in each 5-day period. We recommend that the Civil Contingencies Unit should put work in hand to ensure that, if a national oil tanker drivers' strike appears likely, any delay in making available the required number of Service drivers of HGV1 standard is minimised.

Productivity of service drivers

4.17 As explained in paragraph 3.1 above about 150,000 tonnes of oil product is delivered by road per day. When plan PARVENU was originally drawn up it was thought that 4000 drivers would be required to carry 40,000 tonnes per day. The plan has however never been put to the test in Great Britain, though the corresponding arrangements in Northern Ireland were implemented for a short period in 1979. The brevity of the operations, and the special circumstances applying to Northern Ireland, made it hard to draw firm conclusions about the level of productivity which service drivers might achieve in Great Britain. Nevertheless, this experience led to an increase in the estimate of the level of productivity which it was previously thought service drivers might achieve. It was therefore concluded that 4,000 drivers might be able to carry some 60,000 tonnes per day. The latest figures show that the number of vehicles used by or on behalf of the oil companies, which handle about 93 per cent of daily consumption, ie aroud 140,000 tonnes, is now only some 6,500. This is the result partly of the move towards the use of larger articulated vehicles referred to in paragraph 4.16 above, partly of improved working practices by drivers following productivity negotiations in recent years, and partly of changes in pattern of supply. Against this background the Group attempted to establish what proportion of daily road-borne supplies might be handled at various levels of service assistance.

4.18 In favour of assuming relatively high levels of productivity for substitute service drivers are the lack of statutory restrictions on drivers' hours and the motivation of a disciplined military force as compared with that of highly unionised civilian drivers. Against this must be weighed lack of familiarity with the vehicles to be used, with the routes to be followed, and the problems of management and deployment inevitably arising from disruption to an established system of distribution. The view of the Ministry of Defence is that plan PARVENU, as presently constituted, would be able to meet the requirements for a daily delivery rate of 40,000 tonnes to meet essential needs as presently defined, and that it should also, if it is decided not to reduce the number of Service drivers, produce a surplus that could be allocated to other essential tasks.

4.19 The assumption to be made about the productivity of Service drivers has however a very marked effect on the range of options which Ministers might wish to consider. 6,500 civilian drivers now employed by or on behalf of the refining companies each normally carry an average of about 21 tonnes a day. The Service drivers in Northern Ireland in 1979 carried an average of about 15 tonnes a day, ie about 70 per cent of the civilian average. If the productivity factor were to turn out to be 80 per cent, the proportion of road-borne deliveries carried by 4,000 Service drivers would be 46 per cent, by 5,000 Service drivers 57 per cent and by 6,000 Service drivers 68 per cent. If the productivity factor were to turn out to be 90 per cent, the corresponding proportions of road-borne deliveries would be 51 per cent, 64 per cent and 77 per cent.

4.20 These figures show how sensitive the contribution of service drivers is, not only to the number of drivers who might be made available within the defence constraints referred to in paragraph 4.15 and other policy constraints but also to assumptions about service productivity. The Group accordingly recommend that when Ministers have reached conclusions about the objectives to be attained in the event of an oil tanker drivers' strike a detailed study should be undertaken by the Civil Contingencies Unit, involving further discussions with the Oil Industry Emergency Committee, to examine the implications of expanding plan PARVENU - taking account both of the possibility of additional service drivers being made available and of any changes in productivity assumptions that it might prove realistic to make.

Policy relating to the use of Servicemen in the event of industrial action

4.21 The general policy, of many years standing, has been that Servicemen should be used as substitute labour in case of industrial action only to the minimum extent necessary to safeguard the essentials of life. This policy has always been an important part of the public presentation of the use of Servicemen in a strike. In the event of an oil tanker driver' strike it is a matter of judgement as to whether Service assistance should be confined to supplying oil for essential services such as the emergency services, health, food supply, public transport, public utilities etc or whether the supply of oil should be regarded as so basic to the community, because of the high degree of modern dependence of both industry and individuals on road transport, that a much broader provision of Service assistance would be justified, and publicly accepted. If Servicemen were used for purposes which appeared to go beyond public perceptions of the essentials of life, for example to permit unrestricted private motoring, this could greatly increase the risk of sympathetic action in the depots and the refineries, thus cutting off all supplies including those needed to safeguard the essentials of life. These considerations, along with the constraints on the numbers of Service drivers available, and the assumptions to be made about their productivity, will need to be kept in mind in drawing up any new plans for Service assistance.

V. USING THE AVAILABLE RESOURCES

5.1 The analysis in the preceding section led to the conclusion that the only satisfactory means of mitigating the effects of an oil tanker drivers' strike is the provision of substitute service drivers. It also demonstrated that the 4,000 drivers provided under the existing plan PARVENU would be able to meet the requirement for a daily delivery rate of 40,000 tonnes to meet essential needs as presently defined and should, on the basis of experience in Northern Ireland in 1979, deliver about 60,000 tonnes. A higher proportion of normal deliveries might be maintained if productivity was higher than currently assumed, and a still higher proportion if more Service drivers were to be made available, depending on defence considerations and also on policy on the use of Servicemen in the event of industrial action. The purpose of this section is -

i. to examine what the Government's objectives should be in the event of a national oil tanker drivers' strike, and, in the light of these;

ii. to discuss what proportion of supply it might be desirable to maintain and which categories of consumer should receive priority consideration;

iii. to assess the methods available for achieving the desired results.

Objectives

5.2 The effects of a national oil tanker drivers' strike have been summarised in Section III (paragraph 3.6). Apart from the small number of major consumers supplied by rail, water or pipeline, all consumers of oil would be severely affected. The most immediate effect would be on the supply of fuel for road vehicles including those used for emergency services and other services of importance to the health and well-being of the community, public transport, road haulage and the private motorist. Stocks for these purposes are only of short duration. Filling stations in particular would run dry within 2 or 3 days. Supplies of oil for heating and for industrial purposes, of which larger stocks are held, would run out more slowly but in any event within 3 to 5 weeks.

5.3 The starting point for the Group's study, as for similar studies, is that Ministers have wished to improve the country's ability to withstand industrial action by key groups of workers with particularly strong industrial muscle. If a national strike occurs in this industry, it must be presumed to have done so because the unions have made demands which the oil companies regard as economically and commercially unacceptable. The Government will not wish the unions to win and be seen to win such a strike. Given willingness on the part of the employers to stand firm, it might well be necessary for the country to withstand a strike for long enough - say for two months or longer - to enable the economic pressures on the strikers to build up and to weaken their resolve to continue the action. If this is to be the Government's objective, it is necessary to consider whether it is sufficient to maintain supply at the level at present provided for under plan PARVENU or to provide for a higher level of supply and, if so, at what level and for what purpose.

5.4 Plan PARVENU is at present assumed to maintain a daily supply of 60,000 tonnes, about 40 per cent of normal road deliveries. About 40,000 tonnes is earmarked for authorised essential services which are summarised, with their estimated daily consumption of oil, in Table 2. The remaining 20,000 tonnes is later to be allocated for use by administrative decision in the course of the strike. As can be seen from Table 2 the plan would provide for defence, the police, fire and ambulance services, hospitals and other essential medical services, public transport, the public utilities (electricity, gas, water and sewerage, posts and telecommunications), some local authority services such as refuse collection, and food, agriculture and fishing. The maintenance of supply at this level for these purposes would be highly desirable and would undoubtedly assist in mitigating the effects of an oil tanker drivers' strike. It seems unlikely however to offer the prospect of achieving the objective of successfully withstanding a long strike. Except for possible allocation in the course of the strike of some of the unallocated 20,000 tonnes, the plan would not provide any oil for industry other than for continuous process plants. In particular there would be no oil for road haulage except for food and agriculture and nothing for the motorist except for the purpose of carrying out one of the designated essential services.

TABLE 2

AUTHORISED PURPOSES UNDER PARVENU
ESTIMATED DAILY CONSUMPTION (GALLONS)

Purpose (% of total authorised purposes)	Petrol	Diesel	Other fuels
1 Public Transport (9)			
- Aviation & air traffic control	400	80	223,600
- Railways, docks and harbours	835	3,700	6,000
- Stage services & company transport	61,400	620,000	
2 Public Services (1)			
- Accidents, Emergencies	6,600		
- Fire Service	3,000	15,000	
- Police	57,000	1,200	
3 Medical (13)			
- Disabled people	10,500		
- Funerals	13,150		
- Hospitals	1,400	24,500	1,145,000
- Medical & Veterinary Services	35,000		
- Pharmacists, Medical suppliers	28,000	28,000	
4 MAFF Services (34)			
- Food manufacture & distribution - Agriculture, horticulture & animal health	667,000	1,352,000	1,300,000
- Fishing			155,100
5 Public Utilities (1)			
- Electricity & gas	37,000		
- Sewerage & water	7,900	4,600	32,000
6 Postal & Telecommunications (1)			
- Post	38,110		
- Telecommunications	32,500	9,860	

Table 2 cont ....

Purpose (% of total authorised purposes)	Petrol	Diesel	Other Fuels
7 Local Authority & Social Services (25)			
- Essential Services (a)	13,000	9,000	2,420,000
- Gritting & sanding		4,000	
- Laundries	25,000		42,000
- Refuse collection, public health		68,000	
- Special schools	7,000		
8 Media (1)			
- Broadcasting	5,000		
- Newspapers & Reporters	38,900	5,930	88,000
9 General Services (1)			
- Diplomatic	22,000		
- Government Car Service, IDS	500		
- Justice	2,000		26,000
- Ministers of Religion	11,500		
- Transmission of money	8,900	21,500	
10 Industry (2)			
- Continuous process plants			175,000
11 Defence (10)			
- Allied Forces	27,500	45,300	30,800
- Ministry of Defence	48,400	52,800	799,480
12 Fuel Services (2)			
- Bunkers			170,000
- Lubricating oil for ships		200	
- Solid & liquid fuel distribution		72,000	
Total gallons	1,209,495	2,337,670	6,612,980
Total tonnes	4,097	8,961	26,518
Grand total	39,579 tonnes		

Note: (a) Includes heating of residential accommodation required for health or social reasons, including for the old, pregnant or handicapped; fuel for the operation of crematoria.

5.5 There would be a much better prospect of withstanding a long strike if sufficient supply could be provided to keep the bulk of industry and commerce in operation by maintaining the flow of raw materials and components and the removal of finished products and to provide enough for the private motorist, particularly in rural and remote areas inadequately served by public transport, to undertake essential journeys and journeys to work. The estimates referred to in paragraph 3.2 above suggest that road hauliers account for about 12 per cent of normal road-borne supplies and filling stations 35 per cent. In order to maintain a high proportion of road haulage activity, some resupply of fuel, raw materials or ancillaries to industry, and some supply to filling stations over and above the supply for essential services already designated, would probably require maintenance of about 70 per cent of normal road-borne supplies - say 100,00 tonnes per day.

5.6 As Section IV explains it is not possible to judge at this stage whether a level of supply of this order or close to it could be sustained within such constraints on the availability of service drivers as Ministers might wish to impose. The Group therefore recommends that, if Ministers are prepared to consider the use of servicemen for supply of oil other than for essential services and wish to attain the objectives discussed in paragraphs 5.3 and 5.5, the Civil Contingencies Unit should be asked to explore the feasibility and desirability of a plan designed to maintain about 70 per cent of normal road-borne supplies, with some provision for road haulage, industry and the private motorist, as well as for essential services.

Methods

5.7 The methods to be adopted for ensuring that such supply as is maintained is distributed in line with the Government's objectives depend in part on the level of supply and the priority to be accorded to various categories of consumer. The Group examined the advantages and disadvantages of three broad approaches:

i. adminstrative action to safeguard supplies to designated priority customers and denial of supplies to others;

ii. general restrictions on consumption;

iii. use of the price mechanism.

Some of these approaches might be used in combination with each other.

Allocation to priority customers by administrative action

5.8 Administrative action to allocate supplies to priority customers is the main method adopted in the present plan PARVENU. Where the level of supply maintained is small - say up to 25 per cent of normal supply - it is the best and probably the only practicable method for ensuring that the available supply is reserved for high priority users. It is necessary for the Government to take, and be prepared to defend, decisions about those users which should be given priority. This presents no major difficulty in the case of the most essential services which identify themselves. The difficulty arises in allocating supplies to services which may be less essential, at least in the view of those consumers who are to be denied supplies. Controversy might arise over some of the categories authorised under the present plan PARVENU (see Table 2) for example the priority assigned to food production and distribution and agriculture as compared with industry, to the media, to Ministers of Religion, and the Government Car Service, even though in some cases the amounts involved are small. Difficulty has also been encoutered in extending the list of priority categories in a defensible way to absorb the 60,000 tonnes presently assumed as likely to be delivered under plan PARVENU, as compared with 40,000 tonnes required by the categories in the existing list. The plan therefore assumes at present that the balance of 20,000 tonnes would be allocated by officials in the course of the strike in the light of needs which were brought to the Government's attention. There would be strong competition for those resources from industry, particularly for road haulage purposes. This would be likely to put the administrative arrangements under severe pressure.

5.9 This analysis suggests that if Ministers decide in favour of trying to maintain a relatively high level of supply, to say 70 per cent, the techniques of administrative allocation to priority customers will probably be applicable to only part of this supply.

General restrictions on consumption

5.10 Where there is a modest shortfall in supply (as is, for example, provided for in current plans for dealing with limited industrial action by oil tanker drivers) the best approach is probably one under which all consumers have a prospect of receiving a proportion of their normal supplies according to consistent criteria. Depending on the level of supply it might for example be possible to operate a system under which a very limited range of designated essential services (perhaps more limited than those authorised at present under plan PARVENU) continued to be supplied at, say 95 per cent of normal consumption, with other consumers (including filling stations) being supplied pro rata to their normal consumption at the level permitted by the available supply. This might be operated very largely through the oil companies' own emergency arrangements with the minimum of day to day involvement by the Government. The Government would probaly need to use its Energy Act powers to relieve the oil companies of their contractual obligations.

5.11 It would be for consideration whether it would be worthwhile to reinforce arrangements on these lines by general measures under the Energy Act to discourage less essential consumption, for example the weekend closure of filling stations to discourage pleasure motoring, the reduction of maximum permitted heating temperatures, reduced speed limits, and "carless" days. Such measures are more appropriate to a prolonged energy shortage than to an oil-tanker drivers' strike, they are of variable merit, and none of them could be relied on to achieve a substantial overall reduction in consumption. Some at least of the measures might nevertheless be worth consideration as a reinforcement to general restrictions on consumption, as part of a plan designated to make the best use of a substantial level of maintained supply - say the 70 per cent referred to in paragraph 5.6 above.

Price mechanism

5.12 A third approach would be to leave the market to allocate available supplies. The principle would be to allow competition to operate by way of the price mechanism to bring demand into line with supply, and thus to channel the available delivery resources to where demand for them was strongest.

5.13 The advantages of a market system would be as follows.

i. It is generally accepted by economists that markets are inherently able to allocate scarce resources more efficiently than administrative action. It could therefore be argued that the community as a whole would be likely to benefit more from any particular level of oil deliveries if they were allocated by means of the market rather than by means of administrative decision.

ii. It would reduce the Government's involvement in channelling resources to some consumers and withholding supplies from others through the system of priority categories which it would be required to defend and interpret under present contingency plans. It would in theory be possible to allow all available delivery resources to be allocated by the market: in practice, however, it would almost certainly not be publicy acceptable to leave services such as fire, police, ambulances and hospitals to seek supplies in the market, so that a restricted range of priority users would continue to be necessary.

iii. The operation of the price mechanism, by increasing operators' profits, might provide incentives for entrepreneurs to enter the market with extra delivery capacity, and thus increase the total level of supply.

iv. Road hauliers, private motorists and manufacturing industries, for whom no specific provision is made in priority categories under current contingency plans, would be able to compete for available supplies with other consumers.

5.14 The Group considered however that there were some major objections to this approach. The first was that an oil tanker drivers' strike is a situation of temporary and uncertain duration. This would prevent several important features of a normal market situation from developing. In particular the extent to which the price mechanism would encourage entrepreneurs to enter the market with extra delivery capacity is likely to be limited. It would require a major change of attitude on the part of the oil companies, who would have to adjust the price constantly at each distribution point to market-clearing levels, and the available delivery capacity would have to be adapted constantly to the product and customer mix as it emerged. The Group had considerable doubts whether the price mechanism could in practice be operated so as to take maximum advantage of the available delivery capacity and offer the best prospect of prolonging endurance.

5.15 There would also be some major political difficulties which the Government would have to consider carefully, bearing in mind that the delivery capacity would be largely provided by service drivers using requisitioned tankers, for example:

i. The Government would be seen to countenance price rises, which would have to be substantial if they were to achieve any significant reduction in demand, at a time of public disquiet about supplies. Substantial rises would no doubt be unpopular with customers, whether or not they were prepared to pay them in order to maintain their supplies and might bear particularly hard on some people; eg those in rural areas with limited public transport.

ii. Unless preventive action were taken, the operation of the market would lead to windfall profits for the oil companies. It should be technically possible to claw such profits back by fiscal means; but to the extent that such fiscal measures were effective, they would decrease the incentive for entrepreneurs to enter the market with new delivery capacity.

iii. The lack of a prominent Government role in day-to-day decisions about the use of servicement engaged in deliveries might in itself be criticised as inapproriate. The role of servicemen might well be particularly delicate if they were seen to be operating mainly under the day-to-day control of the oil companies at a time when prices had risen sharply and the companies were believed to have benefitted.

A

5.16 A further obstacle to contingency plans based on the operation of the market stems from the grave reservations held by the oil industry as to the effectiveness of this approach in the context of a tanker drivers' strike. The industry sees no sensible role for the price mechanism in a temporary situation in which severe abnormal market conditions would exist. It has made clear its reluctance to take part in plans which attempt to use the price mechanism to bring demand into line with supply in the event of a strike. It is also unwilling to incur the odium of responsibility for substantial price rises at a time of shortage.

5.17 Most members of the Group were therefore strongly of the view that the price mechanism was unlikely to be a satisfactory method for ensuring the best use of delivery capacity in an oil tanker drivers' strike. The choice of method would therefore lie between administrative allocation to priority customers as discussed in paragraphs 5.8 and 5.9 and general restrictions on consumption as discussed in paragraph 5.10 and 5.11. If Ministers were willing to explore the feasibility and desirability of a plan designed to maintain about 70 per cent of normal road-borne supplies the best approach might be a combination of these two methods.

VI. SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

6.1 The Group's main conclusions and recommendations are summarised in the following paragraphs.

6.2 The threat of industrial action is more credible and serious in road distribution than in any other key sector of the United Kingdom oil industry (Section I).

6.3 There are some grounds for optimism about this autumn's pay negotiations. A tradition of brinkmanship has however grown up and it is essential for the Government to maintain contingency plans in a high state of readiness (Section II).

Nature and effects of industrial action (Section III)

6.4 Industrial action short of a strike could probably be endured for many weeks at the cost of considerable inconvenience to road users and marginal effects on industrial output. A strike by drivers in individual companies rather than the industry as a whole seems unlikely. If it were to occur the effects, though serious, would be localised. An all-out strike would have immediate, widespread and severe effects. Only a small number of heavy consumers supplied by rail, water and pipeline (30 per cent of normal deliveries) would be unaffected. The supply of fuel for road vehicles at filling stations would run out within 2 to 3 days. Industrial stocks would run down more slowly but in any event within 3 to 5 weeks. Output would be affected well before this as shortages of road fuel prevented the delivery of components and raw materials and the removal of finished goods.

Delivery resources during a strike (Section IV)

6.5 The primary route for the mitigation of an oil tanker drivers' strike is the provision of substitute labour. The first priority would be to find substitutes for the 6,500 drivers employed by or on behalf of the refining companies, who carry 93 per cent of road-borne supplies. The Government would need to requisition tankers from the companies under the Emergency Powers Act 1920 (paragraph 4.2 to 4.4).

6.6 There are practical and industrial relations constraints affecting the use of civilian substitute drivers. Drawing on the pool of unemployed civilian drivers might well be unworkable and the risks of escalation would substantially outweigh the benefits. It would be more practicable and carry less industrial relations risk to make available requisitioned tankers to firms whose heavy goods vehicle drivers were made idle by the strike and wished to collect fuel for their own use. Such action would however be of only marginal assistance in easing a few industrial pressure points. The Government would have to weigh carefully at the time the likely costs and benefits of making available requisitioned tankers. (paragraph 4.5 to 4.10).

6.7 There is no satisfactory alternative to relying on service drivers as the main means of mitigating the effects of a strike (paragraphs 4.11 to 4.13).

6.8 The number of service drivers provided under the existing plan is 4,000. This number could be increased to 5,000 from units in the United Kingdom at the expense of their training and administrative activities. Further drivers could be found only from British forces in Germany. Withdrawal from there of any significant number would have important defence implications (paragraph 4.15).

6.9 Training to upgrade service drivers to permit as many as possible of the Industry's larger tankers to be used is only possible once requisitioned vehicles are available. Thereafter 200 drivers can be trained every 5 days. Detailed planning is required to prepare to do this and the Group recommends that the Civil Contingencies Unit should set such work in hand. (Paragraph 4.16).

6.10 The contribution which service drivers might make to withstanding a strike depends not only on the number of drivers which might be made available within defence and other policy constraints but also on service productivity. At certain levels of service assistance, and on certain assumptions about productivity of service drivers, a high proportion of normal road deliveries might be maintain (paragraph 4.17 to 4.19).

6.11 The Group recommend that when Ministers have reached conclusions about the objective to be attained in the event of an oil tanker drivers' strike a detailed study should be undertaken by the Civil Contingencies Unit, involving further discussion with the Oil Industry Emergency Committee to examine the implications of expanding plan PARVENU - taking account both of the possibility of additional service drivers being made available and of any changes in productivity assumptions that it might prove realistic to make.

6.12 In developing plans for service assistance it will be necessary to keep in mind the general policy of using servicemen as substitute labour only to the minimum extent necessary to safeguard the essentials of life, and the risk of provoking sympathetic action if the level of service assistance appears to go beyond this. (paragraph 4.21)

Using the available resources

6.13 The questions of what proportion of supply it might be desirable to maintain and which categories of consumer should receive priority consideration depend on the Government's objectives in the event of an oil tanker drivers' strike. If the Government wishes to ensure that industrial muscle should not be seen to prevail, it may well be necessary to withstand a long strike. The level of supply assumed under the present plan (60,000 tonnes - about 40 per cent of normal road deliveries) provides mainly for the maintenance of designated essential services. There is no provision for road haulage on which continued industrial output would depend, although some capacity may be available to relieve industrial pressure points which identify themselves in the course of a strike. There is also no provision for the private motorist. This level of supply, devoted mainly to the maintenance of essential services, seems unlikely to meet the objectives of withstanding a long strike (paragraphs 5.1 to 5.4).

6.14 The Group therefore recommends that, if Ministers are prepared to consider the use of servicemen for the supply of oil other than for essential services and wish to attain the objective of withstanding a long strike, the Civil Contingencies Unit should be asked to develop the study referred to in paragraph 6.11 and explore the feasibility and desirability of a plan designed

to maintain about 70 per cent of normal road-borne supplies, with some provision for road haulage, industry, and the private motorist, as well as for essential services.

6.15 Of the methods available for allocating the available resources, administrative action to safeguard supplies for designated priority customers is appropriate in a situation where the proportion of supply maintained is small (say up to 25 per cent) and for looking after the most essential services which identify themselves. General restrictions on, or discouragement to, consumption are more appropriate where there is a modest shortfall in supply (paragraph 5.8 to 5.11).

6.16 The use of the price mechanism to allocate supplies would be unlikely to work in a strike because it would be seen as temporary and of uncertain length. There would also be major political difficulties for the Government in providing the delivery capacity by requisitioning the tankers and making service drivers available but at the same time countenancing substantial price rises. The oil companies would have grave reservations about such an approach and would be reluctant to take part in arrangements of this kind (paragraphs 5.12 to 5.16).

6.17 If Ministers are willing to explore the feasibility and desirability of a plan designed to maintain about 70 per cent of normal road-borne supplies, the best approach might be to adopt administrative allocation for the most essential services, and to combine this with general restrictions on consumption.

Issues for Ministers

6.18 Ministers are invited:

i. to note the Group's conclusions;

ii. to consider:

a. whether the objective should be to withstand a long strike (paragraph 6.13 above);

b. how far an increase in service assistance would be consistent with general policy on the use of servicemen as substitute labour (paragraph 6.12 above);

c. The recommendations that the CCU should examine the implications of expanding plan PARVENU to take account of the possibility of additional service drivers being made available and realistic changes that might be made to current assumptions about service productivity and then explore the possiblity and desirability of a plan designed to maintain about 70 per cent of normal road-borne supplies with some provision for road haulage, industry and the private motorist as well as for essential services, (paragraphs 6.11 and 6.14 above);

d. whether the method of allocation to be used should be a combination of administrative action to safeguard the most essential services combined with general restrictions on consumption, rather than the use of the price mechanism (paragraphs 6.16 to 6.17 above);

e. the recommendation that the Civil Contingencies Unit should work out plans for the up-grading of service heavy goods vehicle drivers to permit as many as possible of the oil industry's larger tankers to be used. (paragraph 6.9 above).

Cabinet Office

12 October 1983

ANNEX A

INDUSTRIAL ACTION IN KEY SECTORS OF THE OIL INDUSTRY OTHER THAN ROAD DISTRIBUTION

I. INTRODUCTION

I.1 The United Kingdom oil industry includes 21 offshore oil fields, most of which are linked by undersea pipeline to four major shore terminals. The oil is then transported by tanker either to United Kingdom refineries or overseas. From the refineries, distribution to United Kingdom consumers is mainly through some 850 oil product terminals spread across the country. Movement of oil to United Kingdom consumers from sources off-shore, or from overseas, may be by ocean-going tanker, coastal tanker, inland waterway barge, pipeline or rail, as well as by road tanker. This annex considers the likelihood and probable effects of industrial action by workers in key sectors of the oil production and distribution industry other than road distribution.

II. PRODUCTION

Background

II.1 The 21 United Kingdom offshore oil fields are expected in 1983 to produce about 105 million tonnes of oil, valued at £16 billion and producing Exchequer revenue of £7.85 billion. Four fields, Brent, Forties, Ninian and Piper account for 60 per cent of production. The workforce is highly paid (the gross average salary of an offshore process operator is some £20,000 per annum) and consists of around 21,500 men of whom about half are employed offshore at any one moment. 84 per cent of the workforce are United Kingdom nationals. Offshore structures are serviced by supply boats, and transport to and from the structures is provided by helicopters owned or chartered by oil field operators. About 85 per cent of United Kingdom Continental Shelf (UKCS) crude is landed by pipeline to four shore terminals in the Shetlands, Orkney and mainland Scotland.

Effects of Industrial Action

II.2 Any widespread industrial action affecting offshore production would have an immediate impact on crude supplies to United Kingdom refineries, which refine about 40 million tonnes of North Sea crude annually. There would also be an effect on United Kingdom exports of oil, currently running at 66 million

tonnes annually. Production loss could not easily be made up, but since refinery supplies could be made good indefinitely by additional imports of crude, the main consequences would be financial and economic. There would be an effect on the balance of payments and, possibly, implications for Sterling; and there would be an effect on Exchequer revenue and the PSBR.

Balance of Payments

II.3 A three month break in North Sea production, with the loss of production made good by oil imports, would mean a worsening in the current account of the balance of payments of some £3-4 billion. There would be a corresponding shift in the capital account - with the extra net imports paid for either by inflows of funds from abroad, for example into bank deposits or gilts; reduced capital outflows by United Kingdom investors placing money abroad; and possibly some rundown of the reserve. The shift in the current account would be very large as a short term movement - the largest quarter-to-quarter movements in recent years have been of the order of £1-1½ billion. But on an annual basis it is not wholly exceptional. The annual current account surplus has fallen from around £6½ billion in 1981 to £5½ billion in 1982 to a projected £1½ billion in the first half of 1983.

II.4 Although it should be possible to take part of the strain by supplying foreign currency from the reserves, the size of the reserves is limited. The size of the entire foreign currency reserve is at present of the same order as the effects on the current account over a quarter. So there would be some effect both on the exchange rate and probably also on domestic interest rates - depressing the former and raising the latter. The size of these movements would depend on the surrounding circumstances, for example the state of other parts of the current account, of domestic monetary conditions and other factors relevant to expectations in the domestic and foreign exchange markets. But in most circumstances the results should be manageable; and possibly less disruptive to Sterling and domestic markets than anything that looked like a government "cave-in" to an excessive wage demand likely to have knock-on effects elsewhere, if that were the alternative.

Revenue

II.5 Taxes and royalties on North Sea output are expected to yield a little under £8 billion in 1983/84. This would represent up to 7½ per cent of expected central Government current receipts, and a little under 6 per cent

of total public sector current receipts. An interruption in oil output would in effect mean that the oil which was not produced would not be lifted until the end of the fields' lives, since there is in general little scope for raising the rate of production without reducing eventual total oil recovery. Receipts of royalty in kind and instalments of Petroleum Revenue Tax (PRT) and Advance PRT would stop after a month, costing of the order of £600 million each month. If the stoppage lasted as long as three months, it could eliminate PRT-assessable profits for the entire 6 months chargeable period, in which case instalments received in the remainder of the period would have to be repaid with interest at the date of assessment, in October or April, four months after the end of the period. The repayment could be over £1,500 million. The effects on royalty taken in cash would be some £50 million, falling in August or February, two months after the end of the chargeable period.

II.6 A three-month stoppage would eliminate chargeable profits for ring-fence Corporation Tax reducing receipts in the January between 9 and 21 months after the stoppage by up to £500 million and possibly giving rise to unrelieved ACT which would reduce receipts in later years.

II.7 The revenue effects of a major interruption of offshore supplies would, therefore, be significant in relation to public sector current receipts, but should nevertheless be manageable.

Dealing with Industrial Action

II.8 The industry would plan in the event of strike action to use key technical and managerial staff to maintain production as far as possible. There are no specific Government plans for dealing with the effects of a strike affecting offshore operations, and there would clearly be little it could do to maintain production by direct intervention. But in the event of a total stoppage, the Government would clearly be influenced in its attitude by the effects on Exchequer revenues and the economy.

Industrial Relations

II.9 Circumstances in offshore installations combine, however, to make an all-out strike there unlikely. Pay rates are high, union influence is comparatively low and pay and conditions are negotiated independently with a large number of individual employers. Industrial discipline on offshore installations tends

to be tight, and industrial action has been coped with firmly in the past. Offshore pay rates are isolated to some extent from the national climate of pay-bargaining by the tendency of the industry to draw its manpower for offshore operations from a labour pool which is, in large measure, international rather than domestic. Labour costs represent only a small fraction of the cost of producing a barrel of oil. The unions (principally the TGWU) have worked in recent years to extend their influence offshore, but as yet have made comparatively little impact.

II.10 Strikes on United Kingdom Continental Shelf installations are rare. Attempts to spread such isolated disputes as have taken place have come to nothing. The only recent case, earlier this year, involved the divers of one company. It lasted several days but did not affect production. Disputes occasionally affect the operational supply boats and these may give rise to problems over the provision of spare parts. However, about half the supply boats servicing United Kingdom structures are foreign-owned and experience has shown that there is considerable flexibility in by-passing the effect of stoppages on the part of United Kingdom boats. Labour problems affecting the undersea pipeline or the helicopter fleets which service the platforms have not affected production.

II.11 It may be relevant to note that Norwegian experience offshore has been different. In the last two years, offshore platform workers in the Norwegian sector, who were members of existing unions, have left them to set up their own independent union (the OAF). OAF successes on the pay front were initially impressive as they picked off each major operator in turn (Elf, Mobil and Phillips). The operators have now formed a national negotiating body (the NOAF) to face the OAF in future wage negotiations, and the last pay round was less successful for offshore workers. After 6 months' negotiations, the OAF called a strike, which was ended after 5 days by compulsory arbitration. The final award was in line with that of onshore workers, and established the principle that offshore workers' pay should be in line with onshore rates plus an offshore bonus. Agreements normally run for two years with intermediate reviews, and lay down that the union cannot strike except at these review times.

II.12 There are no signs that recent developments in the Norwegian sector have had any significant impact on industrial relations on the United Kingdom Continental Shelf. Given the high wages which are paid, and the lack of effective union co-ordination of pay negotiations which are conducted on a company basis, there are no signs of industrial problems affecting offshore production in the United Kingdom sector.

III. SHORE TERMINALS

Background

III.1 There are four onshore terminals receiving UKCS crude; these are: Sullom Voe, Flotta, Forties Landward System and Nigg Bay (the Ekofisk Teesport terminal handles mainly Norwegian crude). The largest of these is Sullom Voe in the Shetlands, which in 1982 received 45.7 million tonnes of crude equivalent to 61 per cent of United Kingdom oil consumption and 41 per cent of all UKCS output. 77 per cent of this oil was exported, the balance being moved to United Kingdom refineries. Apart from certain processing plant for associated gases, the terminal provides storage for about one million tonnes of oil. Flotta, Forties and Nigg Bay installations provide similar facilities and storage, but on smaller scales (annual throughputs of 15.2 million tonnes, 22.1 million tonnes and 1.6 million tonnes respectively).

III.2 Now that construction work is complete the labour force at these installations is small, comprising 750 at Sullom Voe, 300 each at Flotta and Nigg and less than 100 at Forties. Apart from the operating companies' managerial staff there are broadly three employment categories -

a. the companies' own employees who operate the terminal;

b. sub-contracted labour - the maintenance and service work force;

c. the labour workforce of tugs and jetties. These may be employed jointly by the local harbour authority and the towage company.

The operator has direct control over the first of these categories only.

Effects of Industrial Action

III.3 The effects of industrial action which closed down all four major onshore terminals would be similar in scale and nature to those for offshore production described above in paragraphs II.2 to II.7 (ie the effects would be mainly financial and economic to the extent that offshore production was reduced by inability of terminals to handle North Sea oil). Additional offshore loading, especially for export, would however reduce the effects of strike action to some extent. It is unlikely that there would be any effect on consumers provided foreign crude imports could be increased to compensate for the interruption in North Sea supplies.

Dealing with Industrial Action

III.4 Oil terminal operations are highly automated. Sullom Voe, for example, can be operated on a modified basis by as few as 35 people. However, this will entail the closure of the gas stabilising plant with all gas being flared offshore. This would require Ministerial consent. Strike action on any of the jetties or in the harbour at Sullom Voe, Flotta or Nigg could prevent tankers entering or leaving. Action by jetty operators would almost certainly spread to tug operators, and effectively bring operations to a halt. In general, there is little scope in this area for providing alternative labour and no plans for doing so. Tug operation in confined water space is highly specialised, needing local knowledge which could not immediately be replaced.

Industrial Relations

III.5 In practice, the operation of the terminals has been relatively trouble-free and the companies involved seem well able to cope with the isolated disputes that occasionally occur. Little reliable information is readily available about current trade union representation and negotiating arrangements. At Sullom Voe, about half of the 500 workers are members of the TGWU, most of the remainder being non-unionised. The maintenance workers employed by contractors belong to various unions, and there is a similar pattern at the smaller terminals, but generally mainland trade union influence appears to be very weak. There seems little likelihood of employees at these remote installations becoming involved in national issues.

III.6 Last year it was feared that TGWU members operating the Sullom Voe jetties might be involved in a threatened national strike but in the event that strike did not take place. In the Summer of 1983 a strike over pay and conditions by maintenance workers employed by contractors at Sullom Voe lasted for 3 weeks but had no appreciable effect on the operation of the terminals. The strike was settled on the basis of acceptance of the original offer plus the setting up of a working party to discuss the equalisation of conditions of service between contractors and BP's employees.

IV. REFINERIES

Background

IV.1 The United Kingdom currently has 17 oil refineries: of these, 13 are owned by major oil companies producing a full range of products; the remaining four are small specialist plants (three of which are owned by independents). Manpower levels vary considerably from 400 to 500 at the smaller refineries to 1,500 (Esso Fawley). In 1982, United Kingdom refinery output of oil products was 71 million tonnes, compared with United Kingdom inland deliveries of 67 million tonnes, and the United Kingdom was a substantial net exporter of products.

Effects of Industrial Action

IV.2 A strike at any one oil refinery, or at a number of smaller refineries, would probably not be seriously felt by the community. An exception to this is the BP refinery at Grangemouth. Grangemouth occupies a dominant position in the supply of oil fuels in Scotland which has no parallel elsewhere in the United Kingdom, and is a major bottleneck in the Scottish supply pattern. A prolonged strike there could accordingly have serious effects on distribution in Scotland. A strike affecting all United Kingdom refineries would seriously disrupt supplies of oil and oil products throughout the United Kingdom.

Dealing with Industrial Action

IV.3 Neither the oil industry nor the Government maintains specific plans to alleviate the effect of a strike by refinery workers. Companies affected would do their best, within the practical and industrial relations constraints which applied, to secure alternative supplies for their customers, either from

other distributors or by means of imports. The OIEC would monitor the situation and advise the Department of Energy of any need for Government action under the provisions of the Energy Act. The fact that almost all oil products consumed in the UK, including those imported, are normally channelled through UK refineries might reduce the flexibility available during a limited strike to by-pass difficulties if sympathetic action were taken to block imports through other refineries. If necessary, finished products could be imported direct into coastal terminals.

Industrial Relations

IV.4 There is no history of coordinated industrial action by workers of different refineries. In practice, therefore, both a single strike affecting all UK refineries and sympathetic action by staff at refineries not directly involved in a more limited dispute seemed unlikely.

IV.5 Manual process workers in the oil refineries are predominantly members of the TGWU and are organised within that union's chemical and oil refining trade group (as distinct from the oil tanker drivers, who are organised within the TGWU's Commercial Services Trade Group). A small number of maintenance workers at refineries are represented by a variety of craft and other unions such as the AUEW, EEPTU, UCATT, GMBATU etc. Union membership among staff grades at individual refineries is either low or non-existent.

IV.6 There are no national pay negotiations covering the refineries, each major company conducting its own separate negotiation. Bargaining is conducted at plant level at different dates and separately for process and craft groups. TGWU national officers oversea these negotiations but in practice the major role is played by the shop stewards at individual refineries. Notwithstanding these fragmented arrangements, there are seldom any great differences in the level of basic settlements achieved, although there may be considerable variations in such matters as productivity conditions.

IV.7 BP's refinery at Grangemouth is often singled out as one with a traditionally militant workforce. In 1974 workers there went on strike and

picketed product terminals in Scotland for 12 days in support of a higher shift allowance. The shortages in Scotland became so severe that the Secretary of State took powers to control the issue of motor fuels at filling stations. The tradition for militancy at Grangemouth dates from shortly after its capacity was doubled during 1968-70. Its subsequent connection with the Forties pipeline and its standing as the only Scottish oil refinery, supplying about one-third of all Scotland's oil requirements, are factors which have combined to build up the shop stewards' awareness of its importance as a focus of bargaining strength. However, the pace-making importance of the annual pay negotiations at Grangemouth was considerably diminished by an 18 month pay agreement in September 1980 which changed the annual settlement date from September to March. Currently, the earlier settlements at Shell refineries tend to establish a pattern for others.

IV.8 Overall, the UK refining industry has almost completed a large rationalisation of its refining operation. In the last three years four refineries have been totally closed, process units in other refineries have been de-commissioned and staff numbers reduced. This has been assisted by the use of generous redundancy and early retirement terms and there have been no industrial disputes on this issue. Nor, in spite of a truculent but isolated statement by a TGWU official in July, does there appear to be any realistic prospect of industrial action over closures in the near future. It remains to be seen how this year's pay negotiations develop.

V. TERMINALS

Background

V.1 Inland deliveries of oil products in the UK are currently based on some 237 large oil company-owned terminals, supported by about 610 smaller ones, mostly tied to the major companies, but operated by "authorised distributors" (ADs). The larger terminals are fed from the refineries by water, rail or pipeline, whilst some of the smaller ones are supplied by road from the larger terminals. Some large industrial consumers are directly rail-fed from refineries. 160 of the 237 major terminals are "wet" terminals which physically store oil fuels. The other 77 terminals do not store oil fuels, but are, in essence, customer ordering/invoicing points and vehicle parks. Their road tankers go to the nearest "wet" terminal to load up with product. The means

of supply to the major terminals are given below.

Means of Supply to Major Oil Terminals

Type	Ex refinery	Pipeline	Rail	Road	Water	Total
Wet	6	35	36	5	78	160
Dry	16	19	11	-	31	77
Total	22	54	47	5	109	237

Terminals are largely automated, with a few non-driving "process workers" (on average some 12 per terminal; more at coastal terminals, less at pipeline-fed ones), and, with the increasing trend towards centralised ordering and invoicing, very few administrative and clerical staff (currently, on average, some 6 per terminal). Process workers would follow the terminal drivers in any industrial action. Of the 610 smaller terminals owned and operated by ADs, some 450 are "wet" and 160 "dry". Of the former, 33 are water-fed and 53 are rail-fed.

Effects of Industrial Action

V.2 Industrial action by staff at terminals might lead to some reduction in output. The oil industry has contingency plans for managerial and supervising staff to undertake the work carried out by terminal process operators. It is therefore likely that the effects of a strike at terminals which did not include either tanker drivers on the one hand or managerial or supervisory staff on the other could be tolerated indefinitely.

VI. DISTRIBUTION BY WATER

Background

VI.1 78 of the 160 main product holding terminals are supplied by coastal tankers. In addition, 33 ADs' terminals are water-fed. There are about 19,000 men employed in making these deliveries.

Effects of Industrial Action

VI.2 Because of the large stocks held at terminals, it would take several weeks before the effects of any action by seamen involved in deliveries to them by water would be felt. However, a prolonged seamen's strike would undoubtedly have a damaging effect on industry, causing severe shortages of

oil products in many areas served by coastal terminals.

Dealing with Industrial Action

VI.3 The oil industry would seek to deal with the effects of such a strike by stepping up delivery by road from any terminals which remained unaffected (which would require the cooperation of tanker drivers) and, if possible, by increasing imports delivered by foreign flag vessels direct to terminals. As a last resort the Government would need to consider, if shortages became significant, taking Energy Act powers and imposing restriction on supplies to consumers.

Industrial Relations

VI.4 In practice, action by NUS members employed by the oil companies on coastal deliveries to main product terminals is unlikely to happen on any widely-coordinated scale since pay and conditions are largely determined by separate company negotiations rather than by the annual national negotiations between the General Council of British Shipping and the union on the National Maritime Board. Currently, neither Esso nor BP are parties to the NMB negotiations. Shell are formally parties but they nevertheless have their own company agreements which are largely self-contained. There is no history of industrial action on any significant scale by NUS members employed in coastal tankers, and in the last major NUS pay dispute (1981) only an insignificant handful of coastal tankers were held up.

VII. DISTRIBUTION BY PIPELINE

Background

VII.1 Some 35 main terminals are fed either in part or in whole by pipeline. There are four systems, three commercial and one Government-owned which cover most of England. There are relatively few employees involved, all of whom belong to the TGWU.

Effects of Industrial Action

VII.2 Areas most at risk of shortages in the event of interruption of pipe-line supplies would be the Midlands and Heathrow Airport. However, both

are served by more than one pipeline system so that it may be possible to limit the difficulties.

Dealing with Industrial Action

VII.3 Provided the flow was maintained at source and there were no major equipment failures, management and staff could continue operations indefinitely in the event of industrial action, albeit at a reduced rate. In the event of a failure of one or more of the pipeline systems, the oil industry would have a limited capacity to arrange additional deliveries by road.

Industrial Relations

VII.4 There is no history of all-out strike action by pipeline employees.

VIII. RAIL

Background

VIII.1 36 of the main "wet" terminals are wholly or partly rail-fed as are 53 ADs' terminals. In addition, there are some 90 large industrial consumers (mostly in the chemical, paper and steel industries) who receive direct supplies. British Rail's network is used.

Effects of Industrial Action

VIII.2 Cumbria, South Yorkshire and the Thames Valley would be the areas most hit by prolonged industrial action on the railways, since all oil products are supplied to those areas by rail. The Midlands would suffer shortages of fuel oil and LPG.

Dealing with Industrial Action

VIII.3 The oil industry's aim would be to make good losses by arranging alternative methods of delivery so far as possible. This would essentially involve the rescheduling of road tankers over longer distances and would require the cooperation of drivers. The OIEC would collaborate with BR management in monitoring rail movements of oil and would advise on the need for Government intervention.

Industrial Relations

VIII.4 The British Rail staff involved in distribution of oil by rail belong to the NUR and ASLEF. Industrial action on railways has been increasing over the past few years. It has extended from bans on overtime and rest day working to strikes either on the basis of one or two (or more) days a week or a complete stoppage. Most of these disputes have been short, which, given the large stocks held, have only minimally affected consumers of oil products. There are a number of difficult industrial relations issues which BR are going to have to face on productivity and manning levels but there is no evidence that the rail unions are seeking confrontation.

ANNEX B

POWERS AVAILABLE TO THE GOVERNMENT TO DEAL WITH ENERGY EMERGENCIES

Introduction

1. The main statutory powers available to the Government to deal with energy emergencies are in the Energy Act 1976 and the Emergency Powers Act 1920.

Energy Act 1976

2. Section 1 of the Act empowers the Secretary of State to make Orders controlling the production, supply, acquisition and use of crude liquid petroleum, petroleum products, natural gas, other substances used as fuel, and electricity. These powers are exerciseable, for emergency purposes, only while an Order in Council under Section 3 of the Act is in force. Section 1 also provides for the making of Orders controlling the price of petroleum products and, while an Order in Council under Section 3 is in force, the prices of crude liquid petroleum and natural gas.

3. Section 2 enables the Secretary of State to give directions while an Order in Council under Section 3 is in force to producers of any substance (which here includes electricity) mentioned in section 1(1) as to the production and use of the substance; to suppliers of any such substance as to the supply; and to persons carrying on an undertaking involving the use of any such substance as to its use for the purpose of the undertaking.

4. Section 3 provides that the powers of sections 1 and 2 may be made fully exerciseable by an Order in Council either (a) because EEC or IEA obligations necessitate it, or (b) because an actual or threatened emergency affecting fuel or electricity supplies within the United Kingdom makes it necessary for the Government to have temporary powers to control the sources and availability of energy. In the case of a domestic emergency, the Order in Council is subject to affirmative resolution procedure in both Houses. The section also provides for the relinquishment of emergency powers by a further Order in Council, and that an Order declaring a domestic energy emergency shall expire at the end of 12 months uless continued in force for a further 12 months by a resolution of both Houses of Parliament.

5. Section 4 allows any person supplying or using a substance mentioned in section 1(1) to infringe any statutory or contractual obligation relating to or involving the supply or use of the substance, and to infringe certain provisions of road traffic and transport law (listed in Schedule 1) if authorised to do so by the Secretary of State while an Order in Council under Section 3 is in force. It also provides for Orders in Council permanently to modify or exclude any obligation or restriction imposed, or extend any power conferred by other legislation which affects, directly or indirectly, the use of a substance mentioned in section 1(1). This provision also extends to legislation affecting supply.

6. Section 5 provides for the exemption from registration under the Restrictive Trade Practices Act 1976 of certain agreements. This is intended to allow the oil companies to co-operate with each other by sharing out available oil during the operation of a Government allocation scheme.

Emergency Powers Act 1920

7. Section 1 provides that the Queen may proclaim a state of emergency if it appears to her that there have occurred, or are about to occur, events of such a nature as to be calculated, by interfering with the supply and distribution of food, water, fuel or light, or with the means of locomotion, to deprive the community, or any substantial portion of it, of the essentials of life. A proclamation would remain in force no more than one month: a further proclamation could, however, be made at or before the end of that period. Parliament is required to sit within five days of a proclamation (ie for affirmative resolution on the Emergency Regulations to take place).

8. Section 2 provides for the making by Order in Council of regulations for securing the essentials of life to the community. Such regulations may confer powers and duties necessary for the preservation of the peace, for securing and regulating the supply and distribution of food, water fuel, light and other necessities, for maintaining the means of transit or locomotion, and for any other purposes essential to the public safety and the life of the community, and make incidental provisions required for making the exercise of those powers effective. Though this regulation-making power is very wide, regulations under the Act may not impose any form of compulsory military service or industrial conscription, nor make

it an offence for any person or persons to take part in a strike, or peacefully to persuade any other person or persons to take part in a strike, Regulations must be laid as soon as possible after being made and are subject to affirmative resolution procedure. Draft regulations under the 1920 Act necessary for the implementation of current contingency plans in the event of a strike of oil tanker drivers are maintained in readiness.

Conclusion

9. In the event of a strike of oil tanker drivers, Energy Act powers could be used to regulate oil supplies, draw on emergency stocks, restrict consumption and control oil prices. The main use of the Emergency Powers Act 1920 would be to allow for road tankers owned by the oil companies to be requisitioned to allow the oil industry's Emergency Road Distribution Plan to be carried out using substitute drivers (in current contingency plans, servicemen). Both Acts might be used to disapply certain provisions of road traffic and transport laws - relating, for example, to licensing and insurance (the 1976 Act) and drivers' hours etc (the 1920 Act).