SECRET AND PERSONAL

Prime Minister 2 //

MLS 25/3

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PRIME MINISTER

WITHSTANDING STRIKES IN THE ELECTRICITY SUPPLY INDUSTRY

Nigel Lawson sent me a copy of his minute to you of 15 March about the scope for withstanding strikes in the electricity supply industry. I generally share his conclusions.

2. While the link with miners' pay is probably unavoidable, I hope we will not take too yielding a line towards pay in the ESI generally. Skilled power engineers may have a special position, but I see no particular reason why, for example, Electricity Board typists should be amongst the highest paid in the country.

3. Although I accept that they may not make much difference to withstanding strikes, I am looking forward to seeing Nigel's proposals on the future structure of the industry. He also mooted the possibility of some fiscal relief for industrial combined heat and power. I am not quite sure what he has in mind - new schemes are already eligible for the full range of capital allowances and, if coal-fired, for grants. When passed, the Energy Bill will give private generators of electricity some very important guarantees. I know that Nigel and his colleagues have been under pressure during the debate in the House, but to add yet more

/incentives would

incentives would seem unnecessary and liable to start distorting investment decisions.

4. I entirely agree with him, however, that we should keep the possibilities for withstanding strikes in this key industry very much under review.

5. I am sending copies of this minute to the Secretaries of State for Energy, Defence, Scotland, Industry, Transport, Employment and Trade and to Sir Robert Armstrong and Mr Sparrow.

G.H.
24 March 1983

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MR SCHOLAR

cc Mr Mount

WITHSTANDING INDUSTRIAL ACTION IN THE ELECTRICITY SUPPLY INDUSTRY

The report of the Official Group (MISC 86) which has been looking at this will be circulated by Mr Lawson shortly. When it arrives, I suggest that the Prime Minister need look only at Section VIII, the summary of conclusions which appears on the last two pages.

The scope for withstanding industrial action in the ESI is very limited indeed, and rests largely on ensuring that the power workers are aware of the immediately catastrophic effect that they could have: in this respect, their strength is their weakness. Even if only the manuals, rather than the engineers, were on strike, there is very little that can be done to extend endurance.

The report therefore correctly concludes that the present strategy of allowing pay in the ESI to be settled at a level broadly comparable with the miners is best: by bringing down the level of the miners' settlement, we restrain pay in the ESI. The report was of course completed before recent events in the water industry demonstrated that the miners' settlement will not always be the target for other public utilities, but I think it very unlikely that in future years the water workers will break loose again quite so dramatically.

23 February 1983

SECRET AND PERSONAL

Next D of 2 10

Prime Minister

Please see too John Vereker's minute (flag A) and the summary at flag B.

Prime Minister

WITHSTANDING STRIKES IN THE ELECTRICITY SUPPLY INDUSTRY

An inter-departmental group of officials (MISC 86) has reviewed the scope for withstanding strikes in the electricity supply industry (ESI). I enclose a copy of their report. MISC 5/3

Although the ESI has been relatively free from industrial disputes over the past decade, the power of the workforce is considerable. On the other hand that very power produces its own inhibitions. The report concludes that the most sensible strategy is to continue, in a low profile way, to rest on this fact coupled with the ESI unions' tradition of seeking a settlement which is broadly comparable with that of the miners. This year, for example, despite the unhelpful water settlement, the ESI manuals' settlement - an increase in average earnings of 5.7% - was in fact less than the 6½% secured by the miners. For the future, the suggested strategy is thus to bear down on miners' pay and so, indirectly, on pay in the ESI.

The report discusses a number of other possible strategies and we shall want to keep all possibilities under review. I imagine the Secretary of State for Employment will be considering further the general question of avoiding strikes in essential industries. As regards the ESI itself, restructuring the industry along less centralised lines may tend to weaken the power of the unions, though the case for such re-organisation needs to be justified on its own merits - the promotion of competition and facilitating privatisation. The Energy Bill is aimed at encouraging private generation of electricity; I believe there is a case for reinforcing this encouragement by means of some fiscal relief for industrial combined heat and power. It would also be desirable to take any opportunities that may arise for securing the goodwill of the power engineers, a relatively small group whose co-operation would make a power strike very much less effective.

I am sending copies of the report to the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Industry, Transport, Employment, and Trade and to Sir Robert Armstrong and Mr Sparrow.

M.

Secretary of State for Energy
15th March 1983

WITHSTANDING INDUSTRIAL ACTION IN THE ELECTRICITY SUPPLY INDUSTRY

Report by the Official Group on
Electricity Supplies (MISC 86)

INTRODUCTION

1. This report considers the scope for withstanding industrial action in the electricity supply industry. It is arranged as follows:-

SECTION I	:	THE STRUCTURE OF THE INDUSTRY
SECTION II	:	THE INDUSTRIAL RELATIONS BACKGROUND
SECTION III	:	ISSUES LIKELY TO GIVE RISE TO INDUSTRIAL ACTION
SECTION IV	:	PROBABLE FORMS OF INDUSTRIAL ACTION
SECTION V	:	THE EFFECTS OF INDUSTRIAL ACTION
SECTION VI	:	THE SCOPE FOR MITIGATING THE EFFECTS OF INDUSTRIAL ACTION
SECTION VII	:	POSSIBLE STRATEGIES
SECTION VIII	:	CONCLUSIONS

2. This report was substantially completed before the strike began in the water industry. When that strike is over and there has been an opportunity to assess the experience gained, some points may emerge which are of relevance to the electricity industry. If so MISC 86 will then prepare a further report.

SECTION I : THE STRUCTURE OF THE INDUSTRY

1.1 The Electricity Supply Industry (ESI) in England and Wales comprises the Central Electricity Generating Board (CEGB), responsible for main generation and high voltage transmission, and twelve Area Boards which are responsible for distribution to some 20 million customers. In Scotland there are two Boards, each of which deals with generation, transmission and distribution in their respective areas. The Electricity Council has a co-ordinating role in England and Wales; it is also responsible for pay negotiations for the industry as a whole, including Scotland.

1.2 The industrial relations machinery of the industry is arranged as follows:

a. the National Joint Industrial Council (NJIC) negotiates pay and conditions of service of the industry's 86,000 manual workers. The main union is the Electrical, Electronic, Telecommunications and Plumbing Union (EETPU) with 33,000 members in the industry. The General, Municipal, Boilermakers and Allied Trades Unions (GMBATU) has 20,000 members and the TGWU and AUEW most of the remainder. The settlement date is 17 March.

b. the National Joint Board (NJB) negotiates for the 26,000 technical staff. The Electrical Power Engineers Association (EPEA) is the sole union. Their settlement date is 1 February.

c. the National Joint Council (NJC) deals with 47,000 clerical and administrative workers of whom about half are members of NALGO, APEX, GMWU and TGWU. The settlement date is 1 May.

d. the National Joint Managerial and Higher Executive Committee (NJMC) covers 1700 managers and professionals, members of EPEA and NALGO. The settlement date is 1 April.

SECTION II : THE INDUSTRIAL RELATIONS BACKGROUND

2.1 There has been comparatively little industrial action in the ESI. The main occurrences over the last twenty years have been as follows:-

(a) March 1964: a work to rule and overtime ban by the manuals in a dispute over pay and conditions lasted eight days before it was called off following a decision by the then Government to appoint a Court of Inquiry;

(b) April 1970: the power engineers operated an overtime ban for ten days over the erosion of their differentials with the manual workers; the dispute was resolved following the appointment of a Court of Inquiry;

(c) December 1970: the manuals operated an overtime ban in a dispute over pay; the ban started on 7 December; a State of Emergency was declared on 12 December and the dispute was brought to an end on 14 December when a Court of Inquiry was appointed under Lord Wilberforce;

(d) Winter 1973/74: an overtime ban by the power engineers was overtaken by the separate miners' dispute;

(e) Autumn 1977: manual workers at a number of power stations mainly in Yorkshire took unofficial action over a long-standing dispute about travel allowances; this took the form of a forty-eight hour stoppage in September (whcih was supported by about one-third of the manual workforce) followed by a fifteen-day overtime ban and work to rule, at the end of which a compromise solution was successfully negotiated.

2.2 Thus, there has been no significant industrial action in the industry (with the exception of the unofficial action in 1977) since the early 1970s. Moreover, when industrial action has occurred it has taken the form of a work to rule and/or overtime ban rather than an all-out strike.

2.3 A number of reasons can be advanced for this:-

(a) The leaders of the two main unions involved - Mr Frank Chapple (EEPTU) and Mr John Lyons (EPEA) - have adopted a consistently moderate approach. Mr Chapple is to retire in the next few months, but his successor, Mr Eric Hammond is likely to adopt the same policies and general approach.

(b) The ESI has a highly organised and centralised negotiating structure which has kept main pay issues firmly in the hands of the national trade union officers.

(c) The workforce has consistently enjoyed a high place in the earnings league without the need for serious industrial action. Although the pay settlement date for the engineers falls first, the lead in the pay negotiations is generally taken by the manual workers, who have generally achieved settlements comparable with those secured by the miners; indeed the pay scales for the engineers and manuals are formally linked. Over the last few years the engineers have generally negotiated settlements which broadly matched those of the manual workers. There is thus little pressure on the engineers to take industrial action on their own behalf, unless problems arise with the differential between them and the manual workers as was the case in 1970 (see paragraph 2.1 above).

(d) Workers in the ESI tend not to be concentrated into close-knit communities or to come from families with a long tradition of industrial militancy. The only area where this tends not to be true is in South Yorkshire, where a substantial proportion of the power station manual workers are ex-miners, and where an unofficial shop stewards' movement, which has been dormant since 1977, remains in existence.

(e) Workers throughout the ESI are fully aware that an all-out strike or other major industrial action by the engineers and/or manual workers could quickly have a severe impact on the community and the economy, from which they and their families would not be immune. This knowledge is both a strength and a weakness. The trades unions undoubtedly feel themselves to be negotiating from a strong position; but the scale of the damage which serious industrial action could cause is bound to have some influence on the willingness of the trades unions to call for industrial action and their memberships to support it, although this clearly offers no guarantee against serious industrial action or its threat.

SECTION III : ISSUES LIKELY TO GIVE RISE TO INDUSTRIAL ACTION

3.1 Pay (including problems such as the compression of differentials) is the issue which is much the most likely to give rise to severe industrial action of the threat of this. The two main influences on the trades unions in framing their pay claim and negotiating tactics are likely to be the outcome of the pay negotiations in the Electrical Contracting Industry (ECI), for which the EEPTU has sole bargaining rights; and the settlement for the miners. As the following table shows the miners' settlement seems to be the predominating influence:-

	ESI manuals	NCB	ECI
1979-80	20%	18%	13% on 1 January 1980
1980-81	9¾%	9¾%	26% in September 1980
1981-82	7½%	7.4%	10% from April 1982
1982-83	[ ]	6½%	8% from April 1983

3.2 During the last few pay rounds the ESI has tended to settle at about the same level as the miners' settlement (expressed in terms of earnings rather than in terms of basic rates which has tended in recent years to be a higher figure). The trades union leaders in the ESI are however likely to have some regard to developments in the ECI. Although the patterns of percentage increases in the two industries have differed significantly, the average earnings of manual workers in each are very similar - in April 1982 the figures were £164 per week for the ESI and £169 per week for the ECI.

3.3 So long as pay settlements for the miners remain at the higher end of the public sector pay range the workforce in the ESI seem likely to be content to use the miners' settlement as their reference point. If the management are prepared to concede settlements around this level the risk of major industrial conflict over pay seems small. This seems likely. Labour costs constitute only 16 per cent of the ESI's total costs; and the trades unions are generally prepared to agree to improved productivity or manpower reductions.

3.4 As regards the 1983 negotiations, the trades unions have submitted a claim for a substantial though unquantified increase in pay, a reduction in hours and a number of other improvements in conditions including retirement at

age 60. The Electricity Council's objective is a settlement rather below that of the miners i.e. around 6 per cent; their opening offer would increase earnings by 4½ per cent. The Council are in close touch with the Department of Energy on tactics.

3.5 The other issues which might be thought liable to lead to industrial action are closures and redundancies and the Government's wider policy objectives for the industry, particularly privatisation and reorganisation. Although the trades unions may raise strong objections of principle, particularly in relation to privatisation and reorganisation, there is a good chance, though no certainty, that major industrial trouble could be avoided, unless significant job losses were involved.

3.6 The CEGB has closed a number of old power stations over the last few years involving significant manpower reductions, and further closures are planned during the next few years. The job losses involved are likely to be accepted by the trades unions. Although the trades unions have given notice of their intention to challenge the CEGB's plans more closely in the future, it seems unlikely that either they or the CEGB would allow a major industrial dispute to arise on this issue.

3.7 Any plans for the closure of electricity showrooms of their privatisation in the light of the forthcoming report from the Monopolies and Mergers Commission might, however, prove more troublesome. Publication of the report is expected early in March.

SECTION IV : PROBABLE FORMS OF INDUSTRIAL ACTION

4.1 A large modern coal-fired power station typically employs 600-700 staff, as follows:-

managerial	2-4	
engineers	100	of which 20 might be power supply engineers 80 might be maintenance engineers
manual workers	500-600	
clerical	50	

Of these, only 120-150 are directly involved in controlling the operation of the power station; and 60 or so are employed in handling coal and ash stocks. The majority of the staff are engaged in routine maintenance or administration.

4.2 Control of the operation of a power station is generally organised in five shifts, each of 25 staff; of these four might be supervising engineers and the remainder manual workers. It is important to note that the manual workers undertake tasks in the control and generating rooms as well as dealing with jobs such as coal and ash movement and water treatment.

4.3 Slightly fewer staff tend to be employed in oil-fired (400-500) and nuclear (around 500) power stations, principally because fewer staff are required for fuel handling; apart from this the breakdown of staff is broadly as described above.

4.4 Thus, the only area where staff in one group might in principle substitute for another during industrial action is power engineers for manual workers engaged in control duties. Senior managers are too few in number to replace power engineers; and since maintenance engineers are members of the same trade union as the power engineers, it is most unlikely that they would be prepared to do so. This aspect is considered further in Section VI on the scope for mitigating the effects of industrial action. We consider below the form that any industrial action would probably take.

The likely formof industrial action

4.5 Past experience and the fact that the manual workers' pay negotiations tend to take place first, suggest that it is more likely that any industrial action would be initiated by the manual workers rather than by the engineers; the chances are that the engineers would take the lead in industrial action only if the issue involved were peculiar to them, for example concerning differentials.

4.6 It is likely that any industrial action, particularly over pay, would be official; the trades unions in the ESI exert a firm discipline over their members and over the handling of the pay negotiations. With only one exception all the industrial action which has taken placed over the last 20 years (see paragraph 2.1) has been official. Unofficial action cannot totally be ruled out.

If a significant section of the workforce were to become discontented with the trade union leadership's handling of a particular issue, unofficial industrial action might well arise. So far however the only sign of such a development is the emergence in 1977 of the unofficial Shop Stewards' Committee in South Yorkshire, which was referred to in paragraph 2.3 (c); although that organisation still exists, at present it appears to exert little or no influence on the pay negotiations and there is no sign of it spreading to other areas.

4.7 Any industrial action, whether official or unofficial, is most likely to be limited in form rather than to involve an all-out strike. The most likely tactics are a ban on overtime working and a work to rule, which in practice would mean that staff would refuse to work flexibly or to substitute for those absent because of sickness etc.

4.8 Another tactic which the trades unions have considered in the past but not so far employed would be to seek to put pressure on the Electricity Boards' costs without affecting electricity consumers by selectively closing down baseload power stations thus forcing the Electricity Boards to bring the much more expensive oil- and gas-fired stations into use in order to avoid power cuts. Action of this sort could take the form of strikes at selected power stations or other industrial action sufficient to reduce its output completely or very substantially. Only a proportion of the baseload stations would be affected at any one time in order to spread the loss of earnings equitably amongst the union membership.

4.9 The manual workers first seriously considered this tactic in May 1982, when their pay negotiations appeared to be deadlocked and industrial action was threatened. However, their knowledge of the technicalities of the electricity supply system is not extensive, and the manual workers were persuaded that a programme of selective closures of power stations could so destabilise the national grid as to make unplanned power cuts almost inevitable. However, given co-operation from the power engineers, the chances are that a successful programme of rolling power station closures could be devised which would not seriously affect consumers. The net additional cost of such a tactic to the Electricity Boards is estimated to be of the order of up to £50 million per week; the cost to the trades unions would be very small. The implications of

this for future strategies towards pay and industrial action in the ESI are discussed in Section VII below.

SECTION V : THE EFFECTS OF INDUSTRIAL ACTION

5.1 The extent to which industrial action would disrupt electricity supplies depends principally on the degree of co-operation by the power engineers. It is likely that any unofficial action by the manuals would be limited to an overtime ban and work to rule, although an all-out strike cannot be ruled out. The extent to which electricity supplies could be maintained would depend on a variety of factors, principally the precise form of the manuals' industrial action, the time of year, since this is the major determinant of electricity demand, the strain on the engineers and the cumulative effects on the power stations of lack of maintenance.

5.2 The experience gained in 1977 suggests that the engineers could maintain supplies for at least 1-2 months if the manuals were to take only limited industrial action and for some weeks in the event of an all-out strike. Power cuts could well prove necessary at some stage, although it is impossible to guess when the need for them might arise; the determining factor would be the prevailing level of electricity demand. However, any necessary power cuts would not exceed 15-20 per cent. Power cuts of this level would involve either the equivalent of a 3-day working week for industry and commerce or rota cuts for domestic consumers consisting of 3 hours on and 3 hours off on 3 days of the week with much less severe restrictions during the remainder of the week. However, supplies to a wide range of essential users would be protected as far as possible, including: railways, major airports and hospitals; the ports, telecommunications; gas, water and sewage operations; coal mining; oil refineries and major oil pipelines; manufacturers of vital foods; and to a lesser extent continuous industrial processes. During the 1972 miners's strike rota cuts of this level were applied for domestic consumers for about 3 weeks. There is no experience of such a regime lasting longer than this. A 3-day working week was introduced for 10 weeks during the 1974 miners' strike and, although at the time this caused severe disruptions to normal working, in the event the long-term impact on the economy proved to be very slight. It is however impossible to predict whether this would again be the case; and there is no experience of the effects of restrictions of this nature over a longer period than 10 weeks.

5.3 If the manuals were to take official industrial action (which is the most probable scenario, see paragraph 4.6 above) it cannot be assumed that the engineers would be prepared to do more than their normal duties; the EPEA would certainly instruct its members not to. In these circumstances the chances are that power supplies might have to be reduced by up to 20 per cent very quickly, if the manuals' industrial action were limited, as expected, to a work to rule and overtime ban. If the manuals were to strike, power cuts of up to 60-70 per cent might be necessary almost immediately. There is no experience of sustained power cuts of more than 15 per cent, so an assessment of the consequences of power cuts of this level can only be speculative. Widespread disruption to normal life and working could clearly be involved. Even if the impact on the economy were eventually to prove modest, the perception at the time would most likely be of severe and lasting damage. The chances are, therefore, that pressure would build up from industry, commerce and the general public for an early end to the dispute.

5.4 Industrial action, whether official or unofficial, by the engineers is very unlikely. But were it to occur the engineers could control its effects very precisely; the spectrum of possible consequences would range from measures which increased operating costs without affecting consumers (see paragraphs 4.8 and 4.9) to the complete closure of the electricity supply system. The degree of co-operation from the manual workers would be irrelevant, since they neither have the necessary skills to substitute for the engineers nor could they acquire them quickly.

SECTION VI : MITIGATING THE EFFECTS OF INDUSTRIAL ACTION

6.1 The various measures that might be taken to mitigate the effects of industrial action can usefully be considered under four broad headings, viz:-

a. Stockbuilding.
b. The use of substitute labour, including Servicemen.
c. Alternative supplies.
d. Reductions in consumption.

Stockbuilding is not relevant in this context. The other measures are considered in the following paragraphs.

Substitute Labour

6.2 As discussed in paragraph 4.4, the only area where there might be scope during industrial action for one group of staff in the ESI to substitute for another is the replacement of certain manual workers by the power engineers.

6.3 The extent to which the power engineers might be able to cope in the event of industrial action by the manual workers is discussed in paragraphs 5.1-5.3 above. Only in the event of limited and unofficial industrial action by the manual workers could the power engineers cope for a substantial time while avoiding more than modest power cuts; in the face of an all-out unofficial strike by the manual workers, the engineers could only maintain supplies with great difficulty, and substantial power cuts could build up, possibly quite quickly; but if, as expected, any industrial action by the manual workers were to be official, the engineers would probably not be prepared to do more than their normal duties and the effects would therefore be felt by the public very quickly and probably quite severely.

6.4 The extent to which labour from outside the industry (principally contractors and Servicemen) might substitute for manual workers would depend on the degree of co-operation from the power engineers. In the event of official industrial action, the chances are that the engineers would not co-operate in supervising or training substitute labour. In these circumstances the effect on endurance of using substitute labour would probably be insignificant. Even in the event of unofficial industrial action by the manual workers, the engineers are unlikely to be immediately willing to co-operate in the use of outside labour. However, they might eventually be prepared to do so, depending on the strain on them involved in maintaining power supplies. Even with co-operation from the engineers, it is not clear that outside labour could successfully substitute over the whole range of the tasks carried out by manual workers; some of these tasks - for example in the generating and control rooms - are relatively skilled and would take some time to learn. Given the cost and complexity of the equipment and the safety risks involved, the Electricity Boards might well be most reluctant to agree that substitute labour should take on some of the most skilled manual workers' tasks. Substitute labour ought, however, to be readily able to take on the more routine manual operations, such as the handling of coal supplies and ash.

6.5 It is most unlikely that labour from outside the ESI could substitute for the power engineers. Servicemen certainly do not possess the necessary skills; and although there might be some engineers outside the ESI who do, it seems unlikely that the numbers would be sufficient to maintain a sufficient level of power supplies for a significant period.

Alternative Electricity Supplies

6.6 The four main sources of electricity supplies other than the national grid are:-

(i) private generation
(ii) standby generators
(iii) the interconnectors with the Scottish and French electricity systems
(iv) unconventional sources of supply.

(i) private generation

6.7 Private generating capacity can supply about 15 per cent of total industrial electricity demand. However, the available capacity is unevenly distributed; the four main sectors are chemicals and oil (35 per cent of total demand from private generation), paper and printing (25 per cent) transport (23 per cent) and engineering (13 per cent); other sectors generate privately less than 10 per cent of their total electricity demand. Moreover, even where substantial private generating capacity is available, supplies from the national grid are often required to meet peak demand.

6.8 The Energy Bill, which is now before Parliament, removes the existing statutory constraints on the development of private electricity generation. Its long-term impact is difficult to predict, but clearly in the short term the extent of private electricity generating capacity is unlikely to change significantly.

(ii) standby generators

6.9 Most key public services and utilities have substantial standby generating capacity including in particular, virtually all hospitals, fire service control centres, telephone exchanges, major postal sorting offices, major railway signal boxes, essential civil aviation operations and gas distribution operations. The only key public service which does not is the water and sewage industry, but this would be seriously affected only if electricity supplies were

to be completely cut off; if, as is more likely, electricity supplies were to be periodically interrupted, water and sewage operations are unlikely to be significantly affected, since the Electricity Boards would seek to maintain supplies to them and to other key sectors for as long as possible (see paragraph 5.2).

6.10 ~~On average~~ industry and commerce ~~has sufficient standby generating equipment to meet about one quarter of total peak demand. Very little is known about the distribution of this as between the different industrial and commercial sectors.~~ A detailed survey, undertaken in 1975, of the availability of standby generating equipment to manufacturing industry disclosed that over 75 per cent of firms had no standby capacity and that those who did had capacity equivalent to only one quarter of their normal peak demand. More recent information is not available on any systematic basis, but consultations with two leading manufacturers of this equipment, undertaken very privately by the Department of Industry, suggest that the position has probably not improved much. Information about the position in commerce is also very sketchy, although the informal consultations referred to above gave some reason to believe that the position has improved in recent years particularly in relation to mutliple retailing and computer operations. For both sectors the objective seems generally to be to prevent damage to expensive machinery or goods rather than to maintain normal operations during interruptions in electricity supplies.

6.11 Overall, the position appears to be that a wide range of key sectors could be safeguarded during cuts in normal electricity supplies lasting for a few hours at a time; and that, since fuel supplies for standby generators are likely to be readily available, this position could be maintained almost indefinitely. However, standby generators are not designed for long periods of continuous running; using them in this way would quickly lead to breakdowns. They therefore offer little protection against very severe power cuts (say, over 50 per cent) or the complete breakdown of normal electricity supplies, if this continued for more than a few days at most.

6.12 The question arises whether the Government should seek to encourage the development of private generating and standby capacity, for example, through some form of subsidy. We can see no case for doing so. It must be for industry itself to decide whether the risk of electricity supplies being seriously interrupted, and the costs of this, justify such an investment. The Government

has played its part by removing the statutory obstacles to private generation through the Energy Bill. Moreover, any subsidy scheme would involve determining precisely which sectors ought to have standby or private generating capacity, and what would be the desirable minimum level of contingency provision; it is difficult to see how the Government could sensibly reach a view on these issues.

6.13 There is one specific issue in this connection of which Ministers should be aware. This is the proposal by London Transport (LT), who at present generate two-thirds of the Underground's supply, to close one of their two gas-fired private electricity generating stations for economic reasons in favour of taking supplies from the national grid. The station in question is Greenwich, which supplies the peaks and is nearly twice as expensive as the national grid. Because there is no change in prospect which is likely to alter the price differential in LT's favour, the London Transport Executive (LTE) is preparing proposals to close Greenwich in 1988. (It would otherwise become life expired in 2002). LT also envisage that their other station at Lots Road, which is slightly more expensive than the grid and supplies the base load, would also not be replaced, when it would become life expired in 1995. The Government cannot direct the LTE's decision on this, but Ministers will wish to consider whether there is a strong case for retaining a private source of electricity supply for LT and, therefore, for seeking to persuade the LTE to reconsider this proposal.

6.14 In the event of industrial action in the ESI leading eventually to power cuts, supplies to LT would be protected at least until the level of power cuts exceeded 25-30 per cent if the above power stations were to be closed. In the event of power cuts exceeding 25-30 per cent the disruption to life would be such that the maintenance of LT rail services (buses would not be affected) seems unlikely to be a critical factor in withstanding a strike in the ESI.

6.15 The LT stations are manned by members of EETPU, AUEW, and EPEA. National ESI agreements are followed, but since their application is a matter of local negotiation it seems quite possible that national industrial action in the ESI would <u>not</u> be applied in LT.

6.16 If the Government were to press for the power stations not to be closed, LTE would no doubt seek financial compensation. Figures at present available

to the Department of Transport do not enable this to be quantified, but it could be substantial. More important, perhaps, the matter could become one of political controversy with GLC as LTE's present paymasters.

6.17 On balance, the disadvantages of closure do not seem serious. We therefore recommend that Ministers should not seek to influence the LTE's decision.

(iii) the interconnectors with Scotland and France

6.18 The existing interconnector between the British and French electricity grids is out of action and will not be repaired; it was in any case very small (160 mW). Construction of a new link of 2000 mW capacity is in hand with the first part (of 1000 mW capacity) intended for completion in 1985 and the second part a year later. The cost of this is estimated at £285 million at current prices. 2000 mW represents roughly 5 per cent of maximum electricity demand. The normal function of the interconnector is to allow two-way trading between the CEGB and their French counterparts. However, in the event of an industrial dispute the CEGB thinks that it would prove possible to negotiate a one-way flow from the Continent for a prolonged period. If this proved to be the case, the sustained use of the interconnector could ameliorate or possibly prevent power cuts in the event of limited industrial action by the manual workers.

6.19 The economically optimum level of interconnection between England and the Continent could be some 6000 mW, equivalent to around 15 per cent of winter peak demand. However, the CEGB would not envisage proposing a further inconnector before the present one is built and operating. There must be some doubt as to whether the French Government or unions would be prepared to allow the continual use of links of this overall capacity during an industrial dispute.

6.20 The interconnector between the English and Scottish systems is not relevant in the context of a dispute in the ESI, since any industrial action would extend to the Scottish Electricity Boards.

(iv) unconventional sources of supply

6.21 It has been suggested in another context that naval and jet engines might provide emergency electricity supplies. However, in practice the electricity generating capacity of ships and planes is insignificant in comparison

with total demand. For example, even the largest aircraft carrier could generate sufficient power for only some 3000 houses. There are, moreover, technical problems in that power generated by ships could not directly be fed into the national grid. It therefore seems unlikely that this approach is worth pursuing, although the use of warships in particularly favourable circumstances to provide power to an especially important establishment should not be ruled out.

Reductions in Consumption

6.22 The need for various levels of electricity supply cuts, depending on the types of industrial action involved, and their probable effects are discussed fully in paragraphs 5.1-5.4. Very briefly the position is as follows:-

unofficial industrial action by the manuals	:	the power engineers could maintain supplies for a period varying probably from a few weeks (if the industrial action were very severe) to at least 1-2 months (for limited industrial action). Power cuts of up to 15-20 per cent might be necessary, although their timing is impossible to predict.
official limited industrial action by the manuals	:	power cuts of up to 20 per cent might be required very quickly.
official all-out strike by the manuals	:	power cuts of 60-70 per cent almost immediately.

As paragraph 5.2 describes, in the event of power cuts the Electricity Boards would seek to protect a wide range of essential users. There is no experience of power cuts in excess of some 15 per cent, but it seems likely that the immediate disruption caused by power cuts well in excess of this would be considerable; it is impossible to predict with any certainty what the economic effects might be in the long term.

General assessment

6.23 The general assessment must be that the scope for mitigating industrial action in the ESI is very limited. In the event of unofficial action by the manuals, there would be considerable scope for substitution by the engineers. In other circumstances the use of substitute labour is not feasible. Alternative supplies are helpful only at the margin. The Group does not see a case for subsidising the development of private generation and standby capacity

which is best left to the judgement of the market, and recommends that the Government should not interfere with the LTE's decision to close their expensive gas-fired stations at Greenwich in 1988 and at Lots Road in 1995. Reductions in consumption in excess of 15 per cent would cause serious disruption to normal life and to the economy.

SECTION VII : POSSIBLE STRATEGIES

7.1 The problem outlined earlier in this report arises primarily from the fact that the trade unions in the ESI have monopoly power over a service which is vital to the life of the nation. In examining possible strategies for dealing with the problem the Group therefore considered whether there is action which the Government could take, apart from action concerned with restraining trade union power generally, to weaken the unions' monopoly power in this particular industry.

Regionalisation/privatisation

7.2 The Secretary of State for Energy is already examining the case for reorganising the ESI including, for example the creation of regional Electricity Boards, dealing with both electricity generation and supply, and is also exploring the scope for privatisation. The Group therefore considered how far these policies might, in addition to other policy objectives, contribute to a reduction of union power in the industry. If over a period of years the ESI were fragmented into a series of regional or local units, some at least under private ownership, it might be argued that the employees would become less willing to take part in concerted national action. These developments are however uncertain. The difficulty is that even if the ESI were to be reorganised into smaller units and some or all of these units were to become privately owned, the new organisations would continue to have a monopoly or near monopoly in the areas which they served. Moreover it could not be assumed that such a reorganisation, whether or not accompanied by privatisation, would necessarily lead to local wage bargaining or that this would be a desirable development. It seems likely that the trade unions would, because of the obvious advantages to them, succeed in preserving centralised pay negotiations, possibly supplemented by local productivity agreements. If they did not local pay bargaining could lead to leapfrogging in pay claims and settlements. The Group therefore concluded that regionalisation and privatisation, although they might be found to be desirable on other grounds, would be unlikely to contribute significantly to solving the problem of union power in the ESI; it

was noted also that organisational changes which appeared to be designed to diminish union power in the industry might in the short term provoke rather than deter industrial action.

7.3 Given the intrinsic difficulty of altering the balance of power vis-a-vis the trade unions in this industry, the Group next considered a range of strategies designed to reduce conflict with the workforce or key sections of it, ie a low-profile pay strategy and "no-strike" arrangements.

Low-profile pay strategy

7.4 Management could adopt a low-profile strategy towards pay in the ESI by tacitly accepting the existing de facto link with the miners' pay settlement. The aim would be to avoid conflict over pay in the ESI; and to rely on the success of the present efforts to restrain the miners' bargaining power to influence the level of pay settlements in the coal industry and thereby in the ESI. Such a strategy, whether conscious or not, has in practice been followed in recent years. The strategy would have to be reconsidered if the miners' pay settlements were to lose its key role in setting a marker for the upper end of the pay round in the public trading sector. The ESI pay settlement would then have to find its own level but the trade unions might nevertheless be content with a settlement a little above the general level for the public trading sector.

7.5 Such a strategy is however at best of limited value and is at worst vulnerable to circumstances beyond the Government and management's control. It imposes a considerable limitation on the freedom of action of Government and management in respect both of pay and of other issues which might give rise to industrial action. It is also dependent on the continuation of a measure of moderation and self-restraint on the part of trade union leadership in the industry and a continued willingness by the workforce to follow such leadership. There is no reason at present to contemplate a major change in union and workforce attitudes in the ESI but there is inevitably a risk for the future.

"No-strike" arrangements

7.6 The Group considered whether it would be a preferable strategy to come to terms more openly with union power in the industry with some form of "no-strike" arrangement.

7.7 One approach would be to seek to enter into a "no-strike" agreement. The main disadvantage is however that the price of such an agreement would probably be too high. The trade unions would almost certainly insist on some form of guaranteed comparability or indexation and perhaps on some commitment that a specially favourable position in the earnings league would be maintained. This might lead to higher settlements than those conceded under the low profile pay strategy described earlier. Even if it did not, it would have undesirable repercussive effects in encouraging other groups with strong bargaining power to press for "no-strike" agreements at a high price. The second disadvantage is that such an agreement could not guarantee that there would be no industrial action in the future, since there would be no means of compelling the workforce to abide by the terms of the agreement. The only sanction available to management would be to terminate the agreement.

7.8 The Group therefore concluded that, for the foreseeable future, a no-strike agreement would not have advantages over a low profile pay strategy.

7.9 It might be argued that a "no-strike" agreement would be more effective if it could be made legally enforceable. Such agreements could be concluded under existing legislation, but it seems highly improbable that any union would voluntarily agree that a "no-strike" agreement should be legally enforceable. An alternative would be to introduce legislation to provide that all "no-strike" agreements should be legally enforceable whether or not that was the intention of the parties to them. If so it is unlikely that unions would enter into "no-strike" agreements following the passage of the legislation and they would probably also terminate any existing "no-strike" agreements.

7.10 A further possibility would be the statutory prohibition of strikes in the ESI (or other public utilities) without the need for any agreement to this effect between the parties. Statutory restrictions on the taking of industrial action in the ESI would not be new. Until repealed by the Industrial Relations Act 1971, Section 4 of the Conspiracy and Protection of Property Act 1895 had from 1919 made it a criminal offence for employees of electricity undertakings wilfully and maliciously to break their contracts of service, having reasonable cause to believe that by doing so they would deprive consumers of their supply of electricity. There were no prosecutions. Under the 1895 Act no offence could arise if strike notice had been given and the employees

worked out the periods of notice due under their contracts of employment. This recognised that it would not be acceptable - certainly in peacetime - to require individuals under threat of criminal sanctions to work in accord with a contract of employment which they had lawfully repudiated. This being so, it would not have been difficult for the organisers of a strike (particularly an official strike) to ensure that strikers stayed within the law by ensuring that due notice was always given. Additionally, experience has shown the immense practical difficulties of applying criminal sanctions to any large number of strikers. The Group, therefore, concluded that this would not be a promising approach.

Securing the co-operation of key workers

7.11 As a variation on the general strategies to reduce conflict the Group considered whether this approach could be applied selectively and targetted on those groups of workers within the ESI with the strongest bargaining power. As the analysis in Sections V and VI demonstrated, the full co-operation of the power engineers is crucial to withstanding serious industrial action in the ESI. There are a number of possible approaches which might be designed to ensure that co-operation, for example offering particularly advantageous pay arrangements; a no-strike agreement applying to the engineers alone; or a change in the engineers' pay date so as to break the link with the manuals' negotiations. However, the Group concluded that the disadvantages of this strategy substantially outweighed any advantages. The difficulties about maintaining a low profile pay strategy or seeking a no-strike agreement apply no less to the power engineers alone than to the ESI workforce as a whole. Changing the engineers' pay date could well prove counter-productive if the result of conducting separate pay negotiations with the engineers and manual workers were to be separate sets of industrial action at different times by each group. Moreover, to seek explicitly to secure the co-operation of the engineers would underline to them their key role in maintaining electricity supplies and therefore the strength of their bargaining position; it would be an invitation to blackmail and it would be likely to exacerbate relations with the manual workers who, although not so vital as the power engineers, nevertheless have the capacity to inflict serious damage.

7.12 The Group therefore concluded that, while it obviously made sense for the management to take such opportunities as presented themselves to reinforce the loyalty of the power engineers and to seek to avoid unnecessary conflict

with them, it would be undesirable to pursue a deliberate and overt policy of favouring the power engineers as against other workers in the industry.

7.13 Similar considerations apply to the proposition that the power station workers (whether engineers, manuals or clerical and administrative), should be singled out within the ESI for special treatment. If however a no-strike agreement were to be contemplated in the ESI at some time in the future, notwithstanding the difficultes described in paragraph 7.7 above, it would be for consideration whether the agreement, and the specially favourable pay arrangements which would probably have to accompany it, should be confined to power station workers rather than extended to the ESI as a whole.

Deterrence through pressure of public opinion

7.14 Finally the Group recognised that the monopoly power of unions in this key industry was to some extent a two-edged weapon and considered how far Government and management could take advantage of this to deter and, should the need arise, more effectively endure industrial action. The power station workers are well aware of the serious consequences of their taking more than very limited industrial action. They are reluctant to take responsibility for action which would very quickly have serious effects on the lives of ordinary people, partly because of the pressure of public opinion and partly because they cannot isolate themselves and their families from the results of such action. As acknowledged in Section II, this has been one of the most important factors inhibiting indudstrial action in the ESI in recent years. Although this inhibition clearly offers no guarantee against serious industrial action it is important for the Government and management to reinforce it wherever possible.

7.15 Recently the manual workers have begun to explore ways in which industrial action might seriously increase the industry's costs without affecting consumers. As explained in paragraphs 4.8 and 4.9 above this can be done by selectively closing down coal-fired power stations and forcing the Electricity Boards to bring the more expensive oil and gas-fired stations into use. The power engineers are probably aware of the feasibility of this form of industrial action and have the technical skill to achieve it. Although power cuts would probably be avoided, the net increase in the ESI's costs would be up to some £50 million per week; and the trades unions could probably continue

indefinitely with this sort of approach since the numbers involved in industrial action at any one time (and therefore the costs) would be quite small. When the manual workers explored the possibility of such action in May 1982 they were persuaded by the management that such a strategy would so destabilise the national grid that unplanned power cuts were inevitable. If however the power engineers were to see merit in such action and were prepared to co-operate with the manual workers, they would be unlikely to be persuaded by the management that it could not be done and might successfully achieve it.

7.16 In these circumstances the management would have two options. One option would be to attempt, despite the heavy cost to the industry and the small cost to the workforce, to sit out the action long enough to achieve a tolerable settlement. Another option would be to force the issue by ruling out this form of industrial action through management sanctions of various kinds. The unions would then have to choose again between very limited industrial action or action which would have serious effects on the community. The latter opinion is likely to be preferable, provided that the management can avoid the risk that responsibility for action seriously affecting the community is not publicly perceived as having shifted from the unions to the management. It would therefore have to be made clear in advance that the financial consequences to consumers could not be accepted by a responsible management and that, therefore, robust action was unavoidable.

General assessment

7.17 In general the Group concluded that the deterrent effect of the catastrophic consequences of industrial action by power station workers was in practice the most effective check on union monopoly power in the industry and that the management should maintain and develop strategies which took full advantage of it. In this connection the most careful attention must be paid to influencing public opinion in the development of a dispute so that it is the union rather than the Government and the management who are perceived as bringing about a situation which could threaten the life of the community. A low profile pay strategy, while of limited value in itself and vulnerable to changes in union and workforce attitudes, helps to reinforce the strategy of deterrence through public opinion. In practice these are the strategies which, whether consciously or not, Government and management have been following in recent years. The Group recommends no major change.

SECTION VIII : SUMMARY OF CONCLUSIONS

The Industrial Relations Background (Section II)

8.1 There has been no significant industrial action in the ESI (with the exception of unofficial action mainly in Yorkshire in 1977) since the early 1970s. When industrial action has occurred it has taken the form of a work to rule and/or overtime ban rather than an all-out strike. The main reasons for this have been: moderate trade union leadership; a centralised negotiating structure which has kept main pay issues in the hands of national trade union officers; pay settlements generally comparable with those of the miners; no significant tradition of militancy among the workforce; and awareness by unions and workforce that major industrial action would quickly have a severe impact on the community and the economy.

Issues likely to give rise to industrial action (Section III)

8.2 Pay is the issue most likely to give rise to industrial action. If however pay settlements continue to be conceded around the level of the miners' settlement, the risk of major industrial conflict over pay seems small; and this seems likely. There is a good chance that other issues (power station closures, privatisation, reorganisation) will not lead to difficulty, unless significant job losses were to be involved; significant job losses in the power stations are not foreseen.

Probable forms of industrial action (Section IV)

8.3 The most likely form of industrial action is official rather than unofficial, by the manuals rather than by the engineers, and an overtime ban and work to rule rather than any all-out strike. A selective close-down of coal-fired power stations, forcing the Electricity Boards to bring the more expensive oil- and gas-fired stations into use is a possibility but has not so far been attempted successfully.

The effects of industrial action (Section V)

8.4 In the event of unofficial industrial action by the manuals, and given co-operation by the engineers, power supplies might be maintained for between a few weeks and 1-2 months or maybe longer depending on the precise circumstances. Modest power cuts might be necessary, but their timing is impossible to predict. If so, supplies to a wide range of essential users would be protected. In the more likely event of official action by the manuals, and on the assumption that the engineers were prepared to do no

more than their normal duties, even an overtime ban or work to rule would after a few days result in power cuts much greater than previously experienced and widespread disruption to normal life and working. Industrial action by the engineers, which is unlikely, could, if they wished, have immediate catastrophic effects although they would be more likely to devise action which would increase costs to the Electricity Boards without harming the consumer.

The scope for mitigating the effects of industrial action (Section VI)

8.5 The scope for mitigating industrial action is very limited. The use of substitute labour is a possibility in only one scenario (substitution by the engineers for the manuals in the event of unofficial action by the latter). Alternative supplies (private generation, standby generators, the interconnector with France and unconventional sources of supply) are helpful only at the margin. The Group does not see a case for subsidising the development of private generation and standby capacity which is best left to the judgement of the market, and recommends that the Government should not interfere with the LTE's decision to close their expensive gas-fired stations at Greenwich in 1988 and at Lots Road in 1995. Reductions in consumption in excess of 15 per cent would cause serious disruption to normal life and to the economy.

Possible strategies (Section VII)

8.6 Against this background the most useful strategy for the Government and management is to continue to take full advantage of the inhibitions which the catastrophic effects of more than very limited industrial action place on the unions and workforce, and to ensure that, in the development of a dispute, it is the unions rather than the Government and the management who are perceived by public opinion as bringing about a situation which could threaten the life of the community. Particular care will be needed if the unions attempt action designed to impose costs on the Electricity Boards without affecting the consumer. In addition it would seem desirable to continue with the present low-profile pay strategy of allowing pay in the ESI to be settled at a level broadly comparable with the miners' settlement and to rely on success in bringing down the level of the miners' settlement to restrain pay in the ESI. If the miners' settlement were to lose its role in setting a marker for the public trading sector, the strategy would have to be to allow for a settlement in the ESI a little above the perceived level for the public trading sector.

Cabinet Office
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