

For: Sheeragh for site G

NUMIA 9/1/1

Andrew Turnbull

COAL INDUSTRY DISPUTE - EARLY REPORT FOR: 9 JANUARY.

Pit categories:

	<u>Number</u>
(i) working normally:	47
(ii) turning some coal:	25
(iii) some men present:	68
(iv) strike/picketed out:	34

209 new faces
so far.
1,919 this week
so far.

Comments on any changes:

Kellingley (N. Yorks) began production yesterday.

Marine (S. Wales) moved from (iv) to (iii).

Other News: NOT FOR PUBLICATION

SCOTLAND: 63 New Faces. Bilston Glen 1022, Monkton Hall 371, Killoch 34, Barony 137
Polkemmet 213, Seafield 74, Frances 21, Castlehill 17, Longannet 11, Sotsgirth

NORTH EAST: 7 New Faces so far

N. YORKS: 23 New Faces. Akton Hall 9, Atterton Bywater 48, Frystar 7, Glasbrough 13
Kellingley 169, Ledstone Lark 23, Nostell 15, Prince of Wales 27, Savile 34, Sharlston
Wheldale 11, Wistow 164, Gascoigne Wood 73, Riccall 83, Shillingfleet 40
Whitmoor 4, N. Selby 6

DNCASTER: 1 New Face. Asburn 7, Bertley 29, Birdsforth 37, Fickley 2, Seldth
Hatfield 6, Markham 19, Rossington 29, Yorks Main 24, Hilleston 3

BARNSELY: 5 New Faces. Barrow 20, Bulldiffe Wood 25, Darfield 5, Denby Grange 24
Dodworth 13, Emley Moor 71, Ferry Moor 57, Grinthorpe 6, Haughton 16, N. Sand
Park Mill 23, Skirby 10, Wooley 24, Royston 4, Kinsley 1, Dearne Valley 1

S. YORKS: 24 New Faces. Barnburgh 12, Brocthouse 100, Cusby 3, Cotonwood 11
Dinnington 109, Kiveton Park 72, Maltby 40, Menvers 47, Silverwood 27, Thurstoft
Treeton 34, Wath 6, Manton 414, Shireoaks 37, Kilnhorst 2

N. DERBYS: 66 New Faces. Arkwright 227, Belsver 373, High Moor 58, Ireland 132, Markha
Renshaw Park 123, Shireoaks 837, Wainop 450, Whitwell 223.

S. WALES: 3 new faces. Cynheidre 94, Celynen S. 36, Cwm 4, Abernant 4, Marine 7,
Merthyr Vale 2, Nantgarw 1, Deep Navigation 1, Wernos washery 1.

Phillips & Drew

ECONOMICS UNIT

8 JANUARY 1985

COAL STRIKE SUPPLEMENT NO 9

Coal dispute: Updated figures

By Paul Neild and Alan Scowcroft

*Coal
fuel*

As the coal dispute enters the New Year, it is an appropriate moment to update the figures shown in our last supplement dated 17 October 1984. Table 1 shows UK power station fuel usage as published up to and including October 1984, together with our estimates of the likely position to end-1985. Table 2 gives similar figures for all coal stocks. The estimates are based upon several assumptions, the most important of which are:

- (i) Deliveries to UK power stations continue at their recent rate of 750,000 tonnes per week;
- (ii) No additional significant support for the striking miners comes from other unions, the TUC or NACODS, beyond that being implemented at present;
- (iii) Coal output continues at its published October rate. This has more recently been on a rising trend so, if anything, this is a conservative assumption;
- (iv) The CEBG is recently reported to have informed the Energy Secretary that it intends voluntarily to reduce the oil burn in coming months. The October published oil burn at UK power stations was 1,028,000 tonnes of coal equivalent per week. Reports suggest that the UK, as opposed to England and Wales, burn rose to about 1,150,000 tonnes per week in November and December. We assume a reduced burn of 1m tonnes per week in the first quarter of this year and 950,000 tonnes per week in the remaining quarters. **Without this voluntary reduction, the power station coal stock estimates in Table 1 would be larger than shown.** Hence here again we feel we are making a cautious assumption.

Table 1: UK power station fuel usage

<i>m tonnes coal equivalent</i>	<i>Total fuel</i>	<i>Oil burn</i>	<i>Nuclear burn</i>	<i>Hydro + NG</i>	<i>Residual coal</i>	<i>Deliveries</i>	<i>Coal stocks</i>
1984 Jan*	10.2	0.8	1.5	0.3	7.7	4.6	28.8
Feb*	10.2	0.8	1.5	0.2	7.6	6.0	27.2
Mar*§	12.2	1.1	1.6	0.2	9.2	5.0	23.0
Apr*	8.0	2.2	1.3	0.1	4.4	1.3	19.9
May*	7.5	2.8	1.5	0.1	3.2	1.7	18.4
Jun*§	8.8	3.3	1.6	0.1	3.8	2.1	16.7
Jul*	6.8	2.9	1.2	0.0	2.7	1.9	15.9
Aug*	6.9	3.4	1.2	0.1	2.3	1.9	15.5
Sep*§	9.4	4.7	1.6	0.1	3.0	3.1	15.6
Oct*	8.5	4.1	1.3	0.2	2.9	2.8	15.5
Nov	9.3	4.6	1.5	0.2	3.0	3.0	15.5
Dec§	11.7	5.8	1.6	0.2	4.1	3.8	15.2
1985 Jan	9.9	4.0	1.5	0.3	4.1	3.0	14.1
Feb	10.2	4.0	1.5	0.2	4.5	3.0	12.6
Mar§	11.8	5.0	1.6	0.2	5.0	3.8	11.4
Apr	8.2	3.8	1.5	0.1	2.8	3.0	11.6
May	7.8	3.8	1.5	0.1	2.4	3.0	12.2
June§	8.7	4.8	1.6	0.1	2.2	3.8	13.8
July	6.8	3.8	1.4	0.1	1.5	3.0	15.3
Aug	6.9	3.8	1.4	0.1	1.6	3.0	16.7
Sept§	9.4	4.8	1.6	0.2	2.8	3.8	17.7
Oct	8.5	3.8	1.5	0.2	3.0	3.0	17.7
Nov	9.3	3.8	1.5	0.2	3.8	3.0	16.9
Dec§	11.7	4.8	1.6	0.3	5.0	3.8	15.7

*Actuals, remainder estimates. §5-week month.

Our conclusion on power station stocks is that they will remain well above the safety level, at which power cuts would be probable, right through 1985. We guesstimate this safety level at about 4m tonnes. Indeed, even on our somewhat conservative assumptions, power station stocks would be higher entering next winter than entering this winter. Such is the Government's room for manoeuvre on stocks that even a 3-month spell of very cold weather would not substantially alter this picture.

PAUL NEILD DAVID ROBINS BRENDAN BROWN TIM O'DELL
STEPHEN LEWIS CHRIS ANTHONY BILL MARTIN ALAN SCOWCROFT

Table 2: UK coal stocks

	Coal output	Net imports	Consumption			Total stocks	Stocks at		Power stations
			By power stations	Non power stations	In transit		Pit heads	Other	
1984 Jan*	7.4	-0.2	7.7	2.1	-1.4	54.0	23.5	1.7	28.8
Feb*	7.8	-0.4	7.6	2.3	0.0	51.5	22.7	1.6	27.2
Mar*§	6.2	-0.1	9.2	2.4	0.2	46.2	21.7	1.5	23.0
Apr*	2.8	0.5	4.4	1.5	-0.4	43.2	21.9	1.4	19.9
May*	2.9	0.8	3.2	1.6	-0.2	41.9	22.1	1.4	18.4
Jun*§	3.3	0.7	3.8	1.8	0.3	40.6	22.4	1.5	16.7
Jul*	2.5	0.5	2.7	1.4	0.0	39.5	22.3	1.3	15.9
Aug*	2.8	0.7	2.3	1.4	-0.1	39.2	22.5	1.2	15.5
Sep*§	3.7	1.0	3.0	2.9	0.0	39.0	22.1	1.2	15.6
Oct*	3.5	1.0	2.9	2.6	-0.1	38.5	21.6	1.4	15.5
Nov	3.5	1.0	3.0	2.4	-	37.6	20.6	1.4	15.5
Dec§	4.3	1.3	4.1	2.3	-	36.8	20.1	1.5	15.2
1985 Jan	3.4	1.0	4.1	2.1	-	35.0	19.4	1.5	14.1
Feb	3.5	1.0	4.5	2.0	-	33.0	18.9	1.5	12.6
Mar§	4.4	1.3	5.0	2.4	-	31.3	18.4	1.5	11.4
Apr	3.5	1.0	2.8	1.5	-	31.5	18.4	1.5	11.6
May	3.5	1.0	2.4	1.6	-	32.0	18.3	1.5	12.2
June§	4.4	1.3	2.2	1.8	-	33.7	18.4	1.5	13.8
July	3.5	1.0	1.5	1.4	-	35.3	18.5	1.5	15.3
Aug	3.5	1.0	1.6	1.4	-	36.8	18.6	1.5	16.7
Sept§	4.4	1.3	2.8	2.9	-	36.8	17.6	1.5	17.7
Oct	3.5	1.0	3.0	2.6	-	35.7	16.5	1.5	17.7
Nov	3.5	1.0	3.8	2.4	-	34.0	15.6	1.5	16.9
Dec§	4.4	1.3	5.0	2.3	-	32.4	15.2	1.5	15.7

*Actuals, remainder estimates. §5-week month.

Costs and economic effects

This section assumes an effective settlement of the dispute at the end of March this year. Clearly, there is a quite legitimate argument that the dispute is costless to the nation as a whole in the sense that potentially both the efficiency and inflation consequences of a concession to any group on uneconomic working would be much more costly to the country's long-run growth prospects than a few billion spent here or there on dealing with the dispute. In other words, as any economist should be aware, the **opportunity** cost of the dispute can be argued to be zero, if not a positive benefit. We are sure the Government looks at the cost exercise in this way and has done from the beginning.

Having said that, our latest estimate of the 1984/85 PSBR cost of the dispute, if it lasts until end-March, is £2½bn. This assumes the oil burn is reduced as in item (iv) and is after taking into account savings in investment spending in the industry, which are said to have accrued this fiscal year, compared to White Paper plans. For this reason, and for several others, figures of the gross cost of the dispute are not the same as figures for the PSBR cost of the dispute. We think the latter are the more important. Further, it should be realised that cost estimates are very tentative. This particularly applies to the cost of the after-effects once the dispute is settled. For example, the CEBG and NCB have a choice as to the extent to which stocks are rebuilt and investment plans re-instated. Our best guess is that a settlement at end-March would have a left-over PSBR cost of about £600m in 1985/86. On a weekly basis, we put the PSBR cost at £28m pw in 1984 Q2, £45m in 1984 Q3, £66m in 1984 Q4 and £55m in 1985 Q1.

On the macroeconomic front, Table 3 summarises the dispute's impact in 1984 and 1985 for the major items. The table again assumes an end-March 1985 settlement. Because of the increased oil burn recently, the estimated adverse impact on the current account has risen and in the final quarter of 1984 was running at a £4bn annual rate. The 1985 current account impact, shown in Table 3, is made on the basis of a somewhat lower oil burn as in item (iv) earlier.

Table 3: Macroeconomic impact (assumes end-March 85 settlement)

Item	GDP*	Industrial production*	Consumer spending*	Average earnings*	Current account (£bn)
1984	-1.1	-3.1	-0.4	-1.1	-2.5
1985	+1.1	+3.1	+0.3	+0.7	-0.9

*Impact on growth rates, percentage points.

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