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cc Mr. Hoskyns

Prime Minister

MCS 12/3

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PRIME MINISTER

COAL ENDURANCE AND THE ASLEF DISPUTE

Your meeting on Monday will consider the latest reports from MISC 57, on coal endurance, and MISC 72, on the handling of the ASLEF dispute after McCarthy reports. It would be best if, at your meeting, the coal endurance position is established before colleagues go on to consider how to handle the ASLEF dispute.

Coal Endurance

The conclusions of the latest work of MISC 57 are summarised in Robert Wade-Gery's covering minute. They are satisfactory; we are on target to achieve the maximum physical power station capacity for coal stocks well before next autumn. That would be 27 mt for Great Britain (including Scotland), which is 5½ mt more than the peak achieved in December 1978.

The only decision for Ministers is to authorise the continuation of the super accelerated delivery rate for coal. Mr. Lawson will recommend this; MISC 57 believes it to be feasible; and you will have seen from the latest weekly coal and power station statistics that at the end of February power station coal receipts exceeded 2 mt a week for the first time since the beginning of 1980, as a result of the fast delivery programme. There is no reason not to continue with super accelerated delivery, and every reason to strengthen our hand vis-a-vis both ASLEF and the NUM by doing so.

You will also want your colleagues to note that MISC 57 has concluded that a rail strike this spring poses no immediate threat to the level of coal stocks in the spring or next autumn. Even after an 8 week all out rail strike we could get back to 27 mt in the autumn.

THE ASLEF DISPUTE

The main conclusion to be drawn from the MISC 72 report is that whatever McCarthy recommends, BR is likely to have to take a tough negotiating position with ASLEF, backed up by a willingness if

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necessary to sustain a further period of industrial action. You have of course already authorised Mr. Howell to tell Sir Peter Parker that we do not exclude the option of sustaining a national strike.

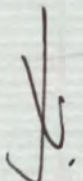
The Group recommends that if and when industrial action threatens, BR must provide Ministers with clear recommendations, together with their estimate of the outcome, and time for consideration. I am sure that is right. One of the lessons of the dispute last month was the need for us to ensure that our messages to BR are clear and consistent. That would be easier if we were responding to specific BR recommendations; and if there is time (which need not be long) for proper analysis by officials. And the risk of Ministers not being sure what messages are getting through would be reduced if the Cabinet Office are instructed to record, and circulate within a matter of a few hours, the action agreed.

Officials should be asked for two pieces of further work:

- (i) To consult the steel and chemical industries, as Mr. Howell suggests. The assessments in Annex VI are guesswork.
- (ii) To prepare a paper for Ministers analysing the RSNT findings and the likely way forward, taking account of BR's initial reactions.

BR's financial position

Our financial arrangements, quite rightly, have ensured that the short term cost of the industrial action last month will be borne by the railway industry; but the Board may feel that this provides a disincentive for tough management in the future. It may be necessary to indicate to the Board that we would be inclined to be more generous with the EFL in the short term if there were a successful outcome to facing up to industrial action, because that would reap benefits in terms of productivity savings in the longer term.



John Vereker

12 March 1982