

CONFIDENTIAL

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cc: Mr. Hoskyns
Mr. Duguid
Mr. Ingham
Mr. Walters

Prime Minister

Background for Cabinet tomorrow. X is a

good point, but I am doubtful about Y.

ASLEF Dispute

Mus 27/1

MR. SCHOLAR

We had a word about Mr. Howell's note to the Prime Minister of 26 January, which attaches various options for the way forward on the British Rail dispute with ASLEF, and you asked me to let you have a note with our own ideas. I have now been able to discuss this with John Hoskyns and Alan Walters, as well as with officials in the Departments of Transport and Employment, the CPRS and the CCU; and the effect of the dispute on coal deliveries were discussed in MISC 57 this afternoon. Observers of the dispute are unanimous in not expecting any early resolution.

We think there are two questions which arise from Mr. Howell's note, and which Cabinet may want to address tomorrow:

- i) Do we mind if the dispute carries on for a few more weeks? Mr. Howell says that we are in a strong position, that the mood of the commuters is to fight on, but that because of costs to BR and the erosion of coal stocks we cannot sustain our position for many weeks. Broadly, we agree. We think the main constraints on our endurance are these:
 - a) BR's losses. If the dispute lasts for another four weeks, BR's losses will accumulate to about 10% of the EFL, which is very substantial but not absolutely disastrous.
 - b) Coal endurance. We are losing coal endurance next autumn, at the rate of about 1 week's endurance for every 2 weeks of the ASLEF dispute; but we think it would be wrong to give in on the present dispute for the sake of some hypothetical advantage in a future one. However, if the dispute lasts another four weeks, our endurance this Spring will become very short; it may be necessary to go over to maximum oil burn quite soon, and Mr. Lawson will be putting a paper round on that, for discussion at the meeting of Ministers already arranged for 4 February.

/ c)

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c) The effect on industry. The CCU's preliminary assessment - which should be available in writing shortly - is that, on the basis of reports from officials, there are no risks to life or essential services developing as a result of the dispute. The main industrial problem appears to be in the steel industry, but we suspect that sufficient steel can in fact be moved when the railways are working normally, or by road (I have asked the CPRS to investigate this discreetly). The Treasury have called a meeting for tomorrow, which I shall attend, to assess all the costs of the dispute.

ii) Ought the Government to be encouraging BR to adopt different tactics?

We think that some of Mr. Howell's options are not really options at all, since they involve one side or the other simply giving in. It does seem as if the best hope for an end to the dispute still remains in the hands of ACAS, at the point at which ASLEF decide they have to give some ground - which is clearly not yet. Douglas Smith thinks that ASLEF are firmly dug in, because the members are solidly supporting their executive.

But we think that BR should be encouraged to think constructively about two possible new approaches, which might turn out to be appropriate as the dispute develops:

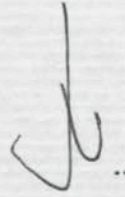
i) First, the possibility - which is scarcely mentioned in Mr. Howell's note - of some escalation, by their warning NUR staff that the point will eventually come at which they cannot afford to pay them when the railways are not running, which might be followed by a restriction of work to the minimum required by the guaranteed 40 hour working week. This should help to build up pressure on ASLEF to negotiate properly.

/ ii)

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Y | ii) Second, we do not think we should rule out the possibility of a Government inquiry, again at the point at which ASLEF were prepared to negotiate but not to surrender totally; this could quite usefully be built upon the very considerable public disquiet now being expressed as a result of the recent revelations about working practices on the railways.



John Vereker

27 January 1982

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01- 233 7388

CABINET OFFICE
70 WHITEHALL
LONDON SW1A 2AS

ASLEF

27 January 1982

Dear Sir

I understand that the Secretary of State for Transport will be making an oral report at Cabinet tomorrow about the current ASLEF industrial action.

Although there should be no need for the Home Secretary to raise any points he will wish to know that Departments have been asked, by the CCU Secretariat, to report if the ASLEF action is causing, or might cause, problems likely to affect the supplies and services essential to the life of the community.

Departmental reports, all received during the period 26 and 27 January, show no areas where CCU action is at present necessary. A point made by many Departments is that should ASLEF action continue for a long period - or be stepped up, problems could become more serious. A close watch will need to be maintained on the problems specifically mentioned and on others should they arise. Arrangements are in hand to achieve this.

Briefly the problem areas mentioned, all assessed as minor at the moment, are:

- reduction in steel production at British Steel's Teeside plant - because finished steel cannot be moved out fast enough to provide storage space.
- coal and coke exports down 50% on normal levels.
- difficulties over heavy fuel oil deliveries to the Midlands - which are mainly by rail.
- diminution of coal stocks at power stations as demand exceeds supply.
- difficulties with delivery of raw material to two British Steel plants in Scotland - which it is hoped may be overcome, plus delays in movement of paper, whisky and containers - also in Scotland.
- coal supplies in Northern Ireland (all coal is imported). Power station and domestic stocks currently range between 3-5 weeks.
- house coal in South Wales is becoming scarce - this type of coal being imported from England. Should it run out the poor will suffer most.
- Gatwick Airport has 8 days' fuel stocks at normal usage rates and stocks are being maintained by alternatives to the normal rail method of delivery.

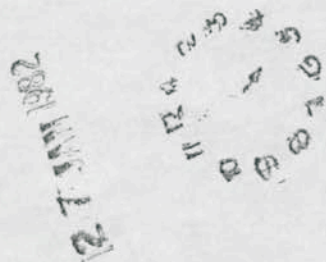
Problems in getting staff to their normal places of work are causing inconvenience rather than serious interruption to departmental business. There will be a cumulative effect on the less important day to day tasks of Departments.

I am copying this note to the Private Offices of the Prime Minister, Chancellor of the Exchequer, Secretaries of State for Northern Ireland, Defence, Environment, Scotland, Wales, Industry, Transport, Social Services, Energy, Employment, the Minister of Agriculture, Fisheries and Food and the Secretary of the Cabinet.

Yours sincerely

Tom Budd

BRIGADIER J A J BUDD



J E Fields Esq
Assistant Private Secretary to the
Home Secretary
Home Office
Queen Anne's Gate
London
SW1

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~~CC 30~~
M.A.

PRIME MINISTER

ASLEF DISPUTE

Before the weekend, British Rail made a major concession at ACAS. They agreed to accept arbitration, provided it was binding, to a quick timetable, and with terms of reference to secure decisions that could be applied forthwith; and for that they would commit payment of the three per cent on a date after the completion of the arbitration timetable. But ASLEF refused to accept binding arbitration.

ACAS have been continuing their efforts to see whether some non-binding arbitration or inquiry would be useful, but I have just heard that they have now given up the attempt. British Rail, though unenthusiastic, would have been prepared to co-operate if an inquiry had been set up, though they made it clear that this could not be regarded as a reason for paying the disputed three per cent. But ASLEF were wholly opposed to the idea, and insisted that payment of the three per cent was the only issue, and that productivity questions could only be considered through the normal negotiating machinery of the railway industry. In the circumstances ACAS are answering press inquiries on the basis that they would only consider setting up an inquiry if they were satisfied that it was timely and likely to be fruitful, and that after canvassing all the parties they had concluded that for the present this is a step they should not take.

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For the present we are in a strong position, and this news should not affect it. ASLEF have no support of substance from other unions, and no public support whatever. The incidents of the article in the Sun newspapers and the blacking of the Murdoch group of newspapers at Kings Cross, put them further in the wrong. As I judge, from my talks with our supporters on the Back Benches, and from everything in the media, the mood of the commuter is to fight on, provided he is not let down in the end.

Whilst however I shall continue to develop new initiatives to keep public opinion on our side, we cannot count on our present strong position being sustained for many weeks. The costs of the dispute to the Railway Board are high and are mounting, and we cannot indefinitely afford erosion of coal stocks at the power stations. But the pressures on ASLEF must also be strong, and we must do our best to allow them time to operate.

I annex a note on possible courses. At this stage, we cannot identify the path to a satisfactory solution. We must certainly try to the full the effect of the pressures on ASLEF. It may be that one possibility for getting them back to work, once they have shown signs of moving at all, is to put the present disputed issues to one side and have a comprehensive negotiation covering all aspects of manning and productivity on the footplate, so as to lead to a new contract for train drivers. The Railways Board is doing some further thinking on possible ideas of this kind. We might in due course find this useful.

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I am sending copies of this minute to the Home Secretary, the Chancellor of the Exchequer, and the Secretaries of State for Defence, Energy and Employment; and to Sir Robert Armstrong.

DH.

DAVID HOWELL
26 January 1982

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1. PRESS BRITISH RAIL TO GIVE IN

British Rail would be urged to pay the three per cent and introduce the 39-hour week for footplate staff, while pursuing productivity proposals through the ordinary negotiating machinery. This would destroy management's credibility, and rule out any prospect of securing any significant productivity progress from ASLEF for a long time. It would be seen by the other railway unions and by the commuters as a clear surrender and destroy any support from them for a strong management line by BR in the future. In the short-run it is much the cheapest course, since the continuing losses of £3-4m per day of strike would be avoided.

2. SEEK BINDING ARBITRATION ON THE DISPUTE

The Board have agreed to quick, binding, and specific arbitration, with a commitment to pay the three per cent; but ASLEF have rejected this.

3. NON-BINDING ARBITRATION, OR COMMITTEE OF INQUIRY, SET UP BY ACAS

This would effectively be another non-binding arbitration by Lord McCarthy. ACAS is actively pursuing this idea, and is entitled to proceed independently. With no sign of movement on ASLEF's part, the prospects of successful resolution of the dispute by this means must be slim. But BR would not agree to pay the three per cent before the dispute is resolved, and ASLEF might refuse to co-operate in any inquiry until the three per cent is paid. Some initiative of this kind might work, when there is some readiness to move on ASLEF's part.

4. GOVERNMENT COURT OF INQUIRY

This also would be non-binding, and would have no better prospect of success than an ACAS inquiry. It would involve the Government directly in seeking a resolution of the dispute, and would establish a precedent that might be very awkward in the future.

5. LEAVE THE BOARD AND THE UNION TO CONTINUE THE DISPUTE AS NOW ASLEF seem unlikely to escalate the dispute. The Board will consult Ministers before any moves to do so. The cost would continue at a rate of £10-11M a week. Some traffic will be permanently lost to the railway. For each week of disruption at the present level, the endurance level of coal stocks at power stations will reduce by half a week. The assumption of this course is that private pressures from other unions, and the cost in wages lost to their members, will induce a change of position by ASLEF.

6. TRY TO SECURE A CHANGE OF GROUND

It may, ^kas the right time, be possible to secure a return to work, with the present issues put on one side, for example if the Board were to propose negotiation of a new and wider package of measures to secure improved productivity and demanning in footplate grades. Ideas of this kind are being explored. To succeed, the initiative must come when ASLEF are ready to accept that they have not won/ and will not win, even if they still will not concede on variable rostering.

CF

John Transport



Wh
21/1

10 DOWNING STREET

~~John Vereker~~

Here is a circular letter from
Ray Buckton setting out ASLEF's
view of the rail dispute.

I do not think it requires a
reply.

Do you think it is worth showing
to the pm?

If so, would you like to
comment?

→ W.R.

Wh
26/1

I wouldn't bother the PM with
it: R. Buckton could
scarcely expect her to have
read a circular letter, & it
adds nothing to what we know.



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From:-
RAY BUCKTON *General Secretary*

RWB/VCC/LR

23 January 1982

MRS. M. THATCHER MP

Dear Member,

INDUSTRIAL DISPUTE - BRITISH RAIL

In light of the very many misleading reports that have been circulated, there is a need to set out the reasons why the Executive Committee of this Society, acting in accordance with the wishes of the Society's membership, instituted industrial action.

The 1981 round of pay negotiations were due to be completed in order that agreed rates of pay for British Rail staff could be introduced from April, 1981. The offer made by the British Railways Board to the railway trade unions was totally unacceptable and following a breakdown of negotiations at the Railway Staff National Council, the unions remitted their claims for adjudication by the three independent members of the industry's arbitration body, the Railway Staff National Tribunal.

In its award, the Railway Staff National Tribunal recommended that the rates of pay of railwaymen should be increased by 8 per cent from 20 April, 1981 with a further increase of 3 per cent to be paid from 3 August, last year. The three unions accepted the unanimous decision of the arbitrators but the Railways Board stated that it was not prepared to introduce the recommended rates. In the discussions that followed within the Railway Machinery of Negotiation, the Board was adamant that it would not introduce the rates of pay recommended. The National Union of Railwaymen and ASLEF then took a decision to institute industrial action but following intervention by ACAS and prolonged discussions, two distinct understandings were reached which were then made into separate agreements and recorded as Minutes Nos. 847 and 848 of the Railway Staff National Council.

The agreement on pay was separate and unconditional, providing for an 8 per cent increase from 20 April 1981, with a further increase of 3 per cent from 3 August of that year. A separate agreement made provision for discussions to be resumed on productivity issues at the lower level of the Railway Machinery of Negotiation.

In order to assist the British Railways Board overcome a short term cash flow problem, the unions agreed that the Board need not enter the 3 per cent into the pay packets until January 1982 though it would then be retrospective until August, 1981. Such an arrangement would enable the Railways Board to meet its financial obligations in the next financial year.

The fact that there was a clear commitment by the Railways Board, and this was accepted by railway management when the agreement was concluded, is confirmed by a circular issued from the Board's Headquarters to lower levels of management setting out how the new rates of pay should be implemented.

In accordance with the separate agreement on productivity, discussions took place at the Locomotive Section of the Railway Staff Joint Council but shortly before Christmas, the Railways Board unilaterally decided that there had been insufficient progress and therefore it would not pay the 3 per cent as unconditionally provided for in a ratified agreement. The action of the Board immediately brought into question, the validity of the industry's negotiating procedures which have, in the past been cited as an exemplary model.

ASLEF along with its colleagues in the other railway unions have, from the outset of negotiation followed to the letter, the written procedures as set down in the Railway Machinery. The Board however, was now not only insisting that it had the right to unilaterally terminate a ratified agreement but declaring that it would not discuss with ASLEF productivity matters at a higher level of the Machinery of Negotiation.

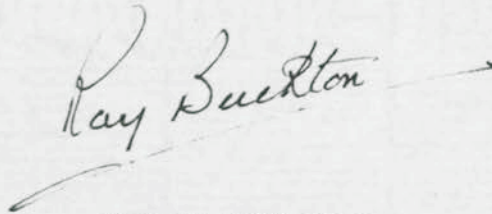
The accusations made by the Railways Board that ASLEF had not met its obligations under a separate agreement to discuss productivity and that the Board was unaware of this Society's views on the guaranteed week are totally false.

The Director, Personnel, British Railways Board, was informed by telephone during the latter part of August of the decision taken by ASLEF's Executive Committee relating to the retention of the guaranteed eight-hour day. That position was then recorded in an agreed minute of the Locomotive Section of the Railway Staff Joint Council, dated 2 September 1981, with the following being set down:-

"The ASLEF representatives indicated that the principle of retaining the 8 hour guaranteed day was a fundamental one so far as their Society was concerned. If, as part of a variable roster a man was booked for a 7 hour turn he should be guaranteed 8 hours payment."

ASLEF's position was reaffirmed on no less than five occasions at meetings of the Railway Staff Joint Council and the Railway Staff National Council. The Railways Board has the same right as that exercised by this Society when we were in negotiations with the Board in the 1981 pay round to take the issues to the next stage of the Railway Machinery and to refer them if necessary to the industry's independent arbitration body. So the Railways Board, in addition to taking a unilateral decision to set aside a recorded agreement, is steadfastly refusing to use the industry's agreed procedures. The Society's Executive Committee was, therefore, left with no credible alternative other than to institute industrial action.

Yours sincerely,

A handwritten signature in cursive script that reads "Ray Buckton". The signature is written in dark ink and is positioned above the typed name. There is a long horizontal flourish extending to the right from the end of the signature.

GENERAL SECRETARY.