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Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

3 February 1982

Michael Scholar Esq
Private Secretary
No.10 Downing Street
LONDON SW1

Prime Minister.

This is one of the papers to
be taken at the meeting on
Monday of next week.

Dear Michael

INDUSTRIAL EFFECTS OF ASLEF STRIKE

PM
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...
with
MCS?

I attach a report prepared by Treasury officials with the help of an interdepartmental group on the wider economic effects of the ASLEF dispute. Mr Wade-Gery's minute to you of 2 February on the arrangements for the meeting of Ministers on 8 February (MISC 57) referred to this paper in paragraph 4(c).

I am copying this letter to the Private Secretaries to the Home Secretary, the Secretaries of State for Defence, Scotland, Industry, Transport, Energy and Employment and to Sir Robert Armstrong and Robin Ibbs.

Yours ever.

Peter

P S JENKINS
Private Secretary

ECONOMIC EFFECTS OF ASLEF DISPUTE

Report by an inter-departmental Group of Officials

I Introduction

1. Work is already in hand, and is being reported on separately, concerning:

(a) The possibility of the dispute creating a threat to supplies and services essential to the life of the community; this is being monitored by the Civil Contingencies Unit.

(b) The effect of the dispute on the movement of coal and stocks at power stations.

2. The present report considers the wider economic (primarily industrial) effects on the assumption that the dispute continues for a considerable time (eg two months or so) at about its present level of intensity (no trains on Sundays and two other days per week).

3. The study is confined to the movement of freight. There is no present evidence that the interference with passenger travel, though causing personal inconvenience especially in parts of the London travel-to-work area, is sufficiently serious to cause measurable loss of output.

II Pattern of rail freight transport

4. In general, except for two commodities, the railways do not account for a large part of the total movement of industrial goods. The exceptions are coal/coke and ferrous metals. Examples are below.

<u>Commodity</u>	<u>Percentage moved by rail</u>
Coal and coke	<u>58%</u>
Iron and Steel	17%
Chemicals	7%
Petroleum products	6%
All other major categories	Less than 10%.

Fuller details are given in Table 1 attached.

III Nature of disruption

5. Very roughly half the normal quantity of rail freight is being moved. The traffic that is moved takes longer since a backlog builds up. But this is self-limiting because of the difficulties of providing waggons for loading, and so the consignor often chooses (where practicable) to send goods by another method. The effect on firms therefore depends on how far that option is open in their particular circumstances.

6. The road haulage industry has been hard hit by the recession and has considerable spare capacity at present. It is benefitting from the increased demand created by switching from rail which it is generally able to meet by using spare capacity. No particular bottlenecks or significant hardening of prices have developed. The picture is broadly one of maintaining, rather than building up, industrial stock levels.

7. The few industries directly affected are, as one would expect, those with a high dependence on rail as shown in paragraph 4.

8. Coal is the most important. There could of course be general disruption to industry (and more widely) if the curtailment of the flow of coal to power stations were to lead ultimately to a need for load-shedding. This aspect is being separately monitored. Coal exports have fallen by half.

9. Steel is the other industry likely to be significantly affected. The industrial action is having limited effects in the British Steel Corporation on movement of raw materials (ore and coal) and some steel products. To date, the only significant effect on production has been at Teesside where steel production has been reduced. This is because stocks of finished steel have reached capacity levels for products where rail transport is the only practical method of delivery. BSC is watching the situation closely at a number of other works including those which make tinsplate and other coated flat products.

10. Apart from this there are no major bottlenecks. A few companies move bulk chemicals by rail mostly in dedicated trains; they are, with some difficulty, managing to cope with the problem by rescheduling trains. There could also be difficulties with delivery of certain petroleum products to particular locations (eg aviation fuel to Gatwick). British Leyland are experiencing some difficulties with the supply of materials and have resorted to road transport; all export vehicles from Longbridge are moved by rail and are having to be stockpiled. Ford, Talbot and Vauxhall, and main suppliers such as Lucas and Perkins report no difficulties.

11. Disruption of supplies and processes has thus in general been minor. Except in the case of coal this, broadly, is the pattern we expect to continue, though with perhaps more severe effects ultimately emerging in the case of particular products/firms dependent on specialised vehicles.

IV Financial effects of disruption

12. The main effect is on BR itself. They currently lose about £12 million per week in net revenue from the strike. But there is also likely to be a permanent loss of traffic share, as consignors decide to remain with the non-rail alternative that they have tried during the strike. BR will also face fiercer price competition in future contracts. BR's own estimate is that a 4-week dispute might produce a permanent reduction of between £60 million and £160 million per annum in their gross revenues. The exact effect is clearly a

matter of judgement; but, the longer the strike, the greater the likelihood of a figure towards the upper end of that range.

13. Adverse effects on NCB finances are following from deferred sales and (because of lower movements) reduced output. There will also be, less serious, repercussions on the finances of BSC, and the CEGB.

14. Otherwise the costs associated with the disruption seem likely to be very diffused and probably minor.

15. Against these costs need to be seen the costs in terms of lower efficiency, greater indiscipline and higher pay demands generally if the ASLEF action were to succeed.

V Sympathetic industrial action

16. In present circumstances it is unlikely that there will be any significant degree of secondary industrial action in support of ASLEF, or that such action could be co-ordinated in a way which affected significantly BR's ability to operate in its present, limited way; but localised sporadic action against the movement of goods which, but for the dispute, would normally be carried by rail cannot be ruled out.

17. The Employment Act 1980 has already restricted the immunity for secondary action substantially. Under the 1980 Act secondary action is unlawful unless it is targetted directly on the supply of goods or services destined for or supplied by the employer in dispute (in this case British Rail). If the secondary action is directed at the business of other employers (eg if miners refuse to allow coal to be loaded onto lorries in sympathy with the ASLEF strike) it is unlawful.

18. The Employment Bill (which had its First Reading on 27 January) does not contain any provisions which bear on secondary action in circumstances where (as with ASLEF and British Rail) there is a primary dispute. The only provision which might be relevant is that which enables proceedings to be taken against a trade union itself if unlawful

action has been authorised or endorsed by the Executive Council, General Secretary, an official given specific power by the union rules to call such action, or (under certain circumstances) other paid officials of the union. In such cases it will enable an employer whose business is damaged by unlawful action to sue the NUM itself (to take the example quoted above) for an injunction and damages. At the moment such an employer can sue only the President or the individual official who organised the unlawful action.

19. It would be very difficult to justify accelerating progress on the Bill to deal with secondary action which is already unlawful. On the present timetable the Bill would be brought into effect in August/early September. It is likely to be fiercely opposed at all stages, and the prospects of accelerating it would anyway be bleak.

VI Action which could be taken to minimise damage

20. Two possibilities occur to us.

(i) Action may be desirable to conserve coal stocks for electricity.

(ii) BR are giving priority to coal and oil movements, but will be under pressure from other customers. It is for consideration whether BR should be informed of the Government's priorities regarding the movement of such freight as can be moved.

21. Of the above (i) is to be considered separately. Ministers may wish to make arrangements for (ii) to be investigated.

VII Information-gathering

22. This assessment has been based on some positive evidence (eg that ports and airports are handling at least normal volumes and the postal service is being maintained with relatively minor loss of quality) and BR's own reports from their customers; but mainly it depends on negative evidence (eg that few problems have been reported to the Department of Industry's regional offices). The industrial aspect has

been discussed with the CBI; their assessment is similar. Steps are in hand for limited direct inquiries (eg to chemical companies and concerning cars and components).

23. It is not, however, at present proposed to activate the intensive monitoring provided through the Business Statistics Office at the time of the steel strike. It is felt that to do so would be out of scale with the present situation, and the volume of enquiries sent out might generate needless anxiety and strengthen ASLEF's hand. If, however, evidence arose that the situation was becoming more serious, Ministers could be asked whether the arrangements should be put into force.

24. We propose to review the industrial effects in two weeks time; provided that there is no escalation of the industrial action, we think it unlikely that the situation will change sufficiently to necessitate an earlier review.

VIII Conclusions

25. (i) The supply of coal to power stations and, to a more limited degree, steel output and processing are being disrupted.

(ii) Otherwise no significant industrial effects of the dispute have yet been observed.

(iii) If significant industrial effects do occur, it is more likely to be the indirect consequence of problems relating to coal and electricity than the direct effect of the dispute on particular firms.

(iv) Bottlenecks may, however, occur affecting particular commodities/firms/locations. In total we do not expect them to be substantial in relation to overall economic activity.

26. We recommend

(a) Consideration of the issues noted in paragraph 20.

(b) A further review and report on the economic effects of the dispute in two weeks' time.

TABLE 1 NORMAL OVERLAND TRANSPORTATION & AVERAGE LENGTH OF HAUL
BY BROAD COMMODITY GROUPS

DESCRIPTION OF GOODS	MODE OF TRANSPORT	FREIGHT LIFTED		FREIGHT MOVED		AVERAGE LENGTH OF HAUL
		MILLION TONNES	%	BILLION TONNE KILOMETRES	%	KILOMETRES
Food, Drink, Tobacco & Agricultural Products	Road	288	100	23.5	98	86
	Rail	1	-	.5	2	437
	All	289	100	24.0	100	
Minerals, Earths & Stones	Road	333	96	11.5	85	37
	Rail	15	4	2.1	15	142
	All	348	100	13.6	100	
Building Materials, Wood, Timber & Corn	Road	167	98	9.8	93	57
	Rail	4	2	.7	7	169
	All	171	100	10.5	100	
Coal & Coke	Road	67	42	2.7	29	42
	Rail	94	58	6.5	71	69
	All	161	100	9.2	100	
Crude Oil, Petrol & Petroleum Products	Road	75	33	4.5	27	59
	Rail	14	6	2.3	14	165
	Pipeline	82	36	9.9	59	
	Coastal Shipping	56	25	..	..
	All	227	100	16.7	100	
Iron & Steel & Other Metals	Road	65	83	7.2	81	109
	Rail	13	17	1.7	19	132
	All	78	100	8.9	100	
Motor Vehicles & Components	Road	..	..	..	..	..
	Rail	1	..	0.3	..	345
	All	..	..	..	..
Chemicals & Fertilizers	Road	56	93	7.0	89	126
	Rail	4	7	.9	11	229
	All	60	100	7.9	100	
All other commodities	Road	322	94	29.5	..	86
	Rail	9	3	3.0	..	..
	Coastal Shipping	6	2	..	..
	Inland Waterway	5	1	.1	..	
	All	342	100	32.6	..	
All commodities	Road	1373	82	95.7	78	69
	Rail	154	9	17.6	14	115
	Others	149	9	..	..
	All	1676	100	123.3	100	

NOTES

Road includes all carriage of goods on public roads by British registered vehicles but excludes work done by foreign goods vehicle.

Rail excludes freight by passenger trains.

Statistics for motor vehicles and components are also included with "All other commodities."

The freight statistics and the average length of haul statistics have not been collected on the same classification of commodities, but this does not preclude broad comparisons between them.

Symbols .. = not available
- = nil or negligible

Source Transport Statistics of Great Britain 1970 - 1980.
Tables 1.12, 1.13, 1.14, 1.15, 2.17, 3.4 and 3.6.