

PRIME MINISTER

c.c. Mr. Hoskyns
Mr. Duguid

YOUR MEETING ON COAL STOCKS AND THE ASLEF DISPUTE

Although there are two distinct halves to the agenda - coal stocks this spring, and coal stocks next autumn - and two distinct problems - ASLEF's industrial action now, and possibility of industrial action by the miners in the autumn - the rail and coal issues and decisions are now inextricable; and we do not think their relationship is properly brought out in the notes from Mr. Lawson and Mr. Howell.

ASLEF

Everything now points towards temporary closure of the railways. Peter Parker seems to expect it; the newspapers are calling for it; the public would probably support it if we catch the wave of public opinion at its crest; and nothing else now seems to hold any hope of bringing ASLEF to the negotiating table.

We think this is right. As in the steel strike, it could bring about long overdue and major changes in the industry. It must be done in a sophisticated way - without too high a Government profile, but leaning firmly on Parker behind the scenes; with due warning, to maximise the chance of a sufficient number of ASLEF drivers reporting to work to enable some coal to be delivered; and with continuing payment to NUR, at the basic rate. If we let things go on as they are, we fear that McCarthy will eventually bribe ASLEF back to the negotiations by promising them a favourable settlement; and we think that the dispute could drag on until well into March.

But we shouldn't go down that route unless we are sure about coal stocks.

Coal stocks this spring

As Mr. Lawson says, we have about five weeks' worth of coal at present. If we maximise oil burn, at a net cost of £260 million,

/ we shall have

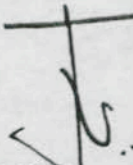
we shall have seven weeks. We think it unlikely that ASLEF could sustain an all-out strike for anything like that long. But even if they did, other measures are available to avoid either power cuts or giving in. First, we would use as many ASLEF drivers as are prepared to work to move coal. Second, we would make maximum use of civilian road haulage capacity. Third, we could, if necessary, use our plan for movement of coal by road using the troops. We agree with Mr. Lawson that it would be a mistake to increase imports, since we do not wish to push the NUM into this dispute. And we think Mr. Howell ought to investigate how long it would take to train up new drivers, using NUR staff.

Coal stocks next autumn

We strongly endorse Mr. Lawson's recommendation for maximum deliveries of coal to power stations from immediately after the end of the ASLEF dispute until further notice, both by road and rail. Even so, the MISC 57 report indicates that we shall have only 18 to 19 million tonnes at the power stations at the beginning of November. We think it would be wrong to decide now to maximise oil burn throughout the summer, because that would be extremely expensive. The better approach surely would be to reassess the prospects for November coal stocks when the ASLEF dispute has ended.

Further action

You may feel that these judgements and conclusions need some further and careful analysis by officials before Ministers take decisions leading to the closure of the railways. A possible way forward would be to ask Robert Wade-Gery to organise the necessary work urgently, and to prepare a report which could be available to Cabinet on Thursday.


5 February 1982

Yours pleasure

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ASLEF DISPUTE

1. The determination of the ASLEF Executive to reject all forms of arbitration proposed by ACAS (binding or non-binding), and to continue the present pattern of disruptions while seeking ways to make them more damaging without the extra cost to ASLEF members, offers a very bleak prospect. The ACAS inquiry seems to have run into the sands. The stakes on both sides are now very high. The Board have further major productivity changes they must seek in future years. ASLEF are fighting for the existence of the Union.

2. I have now had Sir Peter Parker's latest assessment, following his Board's meeting. We will also now see whether there is any greater movement of trade union opinion against ASLEF. My appreciation of the choices facing the Railways Board and ourselves is as follows.
 - A. Fight on as now

3. The spectacle of the total intransigence of ASLEF will lead to rising anger and frustration among London commuters. The ASLEF decision to strike on Tuesdays and Thursdays will make life more difficult for commuters, though BR hope to run a reasonable service on Wednesday. We should be able to sustain the commuters' support for some few weeks, since there is clearly no mood in favour of surrender by the Board; this position must become increasingly fragile.

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4. The costs to the Board will from next week accumulate at some £14m per week, and they are bound to exceed their 1981/82 EFL.

Later this month I shall have to consider with the Chancellor the need to raise the Board's ceiling on temporary borrowing.

The Board have concluded that cutting out overtime for NUR and TSSA members on weekdays when ASLEF strike, will bring little significant saving but would reduce NUR and TSSA support. There do not appear to be other ways open to the Board to reduce the losses. Meanwhile the typical ASLEF member will continue to sacrifice on average about £40 per week net pay.

5. There are no worthwhile signs of any opposition within the ASLEF membership to the course the Executive is following, and there is nothing that requires the Executive to consult the membership. We must I think reckon that the ASLEF Executive will seek to sustain their present level of disruption for at least another four weeks and possibly considerably longer.

B. All out stoppage

6. Sir Peter Parker's view is that the right course for BR is to continue trying to run the present level of services for another two weeks at least, but that ASLEF may seek to push the Board to close the railway, e.g. by striking on additional days.

He judges that total closure is bound to come one way or another. It still seems less probable that ASLEF will themselves call a total strike.

7. I annex a note summarising the main consequences of a total stoppage. I believe that the additional disruption for London traffic, and London employment, could be accepted, particularly since there is no sign whatever of any concurrent action on London Transport. The costs to BR would be less, although the total withdrawal of rail services would increase the costs to the economy.

8. Sir Peter Parker envisages that at some stage BR could instruct ASLEF members to work normally on the new conditions, or be sacked. He reckons that, well-prepared and at the right time, this manoeuvre could succeed if 25% of the drivers signed on for work on the first day. This is clearly a high risk course, on which he would consult us first.

9. How long would a stoppage last? The risk is that whatever the circumstances, it might take some time to bring round sufficient of the ASLEF membership. There is very strong loyalty to the Union. The members have solidly backed the Executive so far, at a net cost to date of some £160 per head. They would, in a total stoppage, have no wages or strike pay, but they would earn tax rebates of some £12 per week, their families could qualify for supplementary benefits, and some may have other sources of income.

10. I do not consider that BR would be in a position to lock out their NUR and TSSA staff. Such a move would quickly be shown to contravene the contracts of employment, including the very long-standing guaranteed week enjoyed by the wages grades, and would shift the Unions - and perhaps much other opinion - against the Board.

C. Pay the 3%

11. It is always open to the Board to bring the present dispute to an end by accepting that they should pay the 3% and pursue their productivity objectives - delayed at every step - through the railway negotiating machinery. This would be to accept ASLEF's terms. It could be the cheapest course in the short run. Politically, it would be seen as an abject surrender to total intransigence.

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12. It is very doubtful whether the Board could ever recover the ground lost, and they would sacrifice the present support of the NUR. We should have to face the implications that this course must lead in the end either to a very different railway system or to an even more bitter struggle with ASLEF on some future occasion. Changes in our policies, and maybe in the Railways Board, would be needed.

D. Another way?

13. The Board continue to work on the possibilities for bringing forward some alternative and wider proposals for the conditions of employment for traincrew, which might make it possible to develop a manoeuvre to change the ground without much sacrifice. The proposal would show all the changes BR want to make, but since it would necessarily affect NUR members, BR think it could not safely be brought forward ^{until} after the present dispute has been resolved.

14. Another point to which we should be alert, is that footplatemen can be members of NUR, (and a few already are). If the Board could provoke or impose a major switch of membership from ASLEF to NUR, the present problems might be rapidly resolved and a valuable gain made for the future. But for NUR to recruit ASLEF members would breach not only the rules of the recently agreed Railways Federation but also the Bridlington agreement - so that it would need not only the support of the NUR but also the acquiescence of the TUC.

Conclusion

15. Matters are approaching a critical stage. At the moment the crucial choice is between fighting on as now and moving to a total stoppage. Of the options before us, the main conclusions are:

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- i. which now offers better prospect of success;
- ii. which better retains commuter support;
- iii. which gives us the stronger position on electricity supply.

16. In my view we should fight on as now, and take all measures to sustain that. But we must be ready to give prompt guidance to BR if ASLEF take further steps to which the only sensible business reply would be a lock-out of ASLEF members. Any sign of hesitation at that stage would be very damaging. And we should be ready to support the Board in a move as in paragraph 8. when the time is right.

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

JA
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DAVID HOWELL
5 February 1982

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ANNEX

CONSEQUENCES OF A TOTAL STOPPAGE ON BR

1. Electricity Supplies

This is covered in separate papers.

2. Oil

Given, say, a week's notice of a total stoppage, the oil companies could stock up at potentially weak points and plan alternative road distribution but some local shortages would still arise.

3. Industry (Other than Energy Industries)

BR carries about 10% of the country's total freight tonnage. This includes significant bulk traffic in coal and iron and steel, as well as petroleum products, building materials and chemicals. A total stoppage would affect the working of those steel plants processing raw steel from elsewhere. Firms in the chemicals, glass and vehicle industries would also be affected, particularly where they require specialised freight vehicles. But road haulage, hard hit by the recession, has considerable spare capacity. It has been able to meet the increased demand for its services during the current disruption and could certainly increase its effort in the event of a total stoppage.

4. Traffic in London

The present emergency car parks have not been fully used. In a total stoppage, commuters who now work at home on two strike days a week might make a daily effort to get to work in London by car, and congestion, notably on the South Eastern and Eastern approaches is likely to become serious. As new measures, more hard standing car parking - in Hyde Park and Regents Park - could be made available,

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and further traffic control measures e.g. declaration of clearways, restrictions on loading and unloading times. Plans exist for parking on grassland in Regents Park and Clapham Common. They would need several days' notice to the Army to lay the necessary metal tracking in the entrance to the parking areas. For Clapham Common the agreement of Lambeth Borough Council would be needed and may not be forthcoming. A Defence Council Order would be necessary to implement the plan requiring the use of troops. In practical terms this additional parking space will not be needed; it would be a political gesture.

5. Traffic Outside London

This is most unlikely to present a serious problem.

6. Emergency Powers

A total rail stoppage preventing rail distribution of oil and coal would be sufficient legal justification for declaration of a State of Emergency (i.e. a substantial part of the community would be deprived of the "essentials of life"). Emergency regulations could then be made, if necessary

- to give directions about the transport of passengers or goods by road, inland waterway, air or sea;
- to requisition vehicles to be driven by servicemen to transport essential supplies;
- to give additional powers to help the police to control traffic (in practice, in London).

The decision to take emergency powers need present no difficulty, but use of the powers, e.g. requisitioning of vehicles for use by servicemen, might provoke sympathetic strikes by miners or power workers.

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7. Financial Consequences for BR - per week

- a. The additional weekly costs to BR (compared with normal operation) of ASLEF striking three days a week, and with no Sunday overtime for other staff, is currently about £12m a week. This is likely to rise to about £14m a week with the extra disruption from striking on Tuesday. The main elements are £18m revenue lost offset by savings of £4m on ASLEF wages, fuel and Sunday pay.
- b. On a total stoppage, the Board would lose all revenue but could, in short term, achieve higher cost savings on staff, fuel and materials. The net loss would be of the order of £6m a week.

These figures are for the net change to BRB's external financing requirement. They are net changes from the normal position, in which the railway operates at a loss of £15m per week supported by grant.

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c Sir Robert Armstrong

Coal and the Railways

BACKGROUND

Your meeting at 10.15 am on 8th February will be attended by the Home Secretary, the Chancellor of the Exchequer and the Secretaries of State for Defence, Industry, Transport, Energy and Employment, as well as by Sir Robert Armstrong and Mr Ibbs. The Secretary of State for Scotland is unable to be present but has been kept informed.

2. The meeting will have 6 papers before it, in 2 groups as follows -
 - (i) The immediate problems of this winter
 - (a) The Secretary of State for Transport's minute to you of 5th February about the ASLEF dispute and possible ways through it.
 - (b) The Secretary of State for Energy's minute to you of 4th February on what to do about power station coal stocks in February and March, in the light of ASLEF and the cold weather.
 - (c) The Chancellor of the Exchequer's private secretary's letter to Mr Scholar of 3rd February covering a report by officials on the wider economic effects of ASLEF, which so far do not seem too serious.
 - (ii) Preparations for next winter
 - (a) My minute to Mr Scholar of 4th February covering a paper by MISC 57 officials analysing the decisions needed now on what level of coal stocks should be achieved by next November and how.

- (b) The Secretary of State for Energy's longer minute to you of 4th February, making policy recommendations on those decisions.
- (c) Mr Ibbs' minute to Mr Scholar of 1st February covering a CPRS note on factors relevant to next winter's negotiations on miners' pay.

The Immediate Problem

3. The ASLEF dispute is deadlocked. Papers (i) (c) and (i)(b) make clear that at its present level neither its effect on the economy nor its effect on power station endurance are critical factors. The immediate decision on paper (i)(a) is whether to encourage the BR Board to fight on as now or whether to encourage them to shut down the railways. The case for shut-down is that it might within a few weeks break ASLEF's resolve, as argued in Mr Hoskyns' note to you of 3rd February; it would also save BR a lot of money in the meanwhile, since even if they continue to pay non-ASLEF staff (as Mr Howell understandably argues would be essential) their losses per week would fall from £12-14 million to £6 million (paragraph 7b of Mr Howell's annex is ambiguous on this point, but that is what its trying to say). The case for soldiering on, which Mr Howell recommends but does not argue, rests partly on the hope that ASLEF will crack without shut-down, partly on natural caution and partly on concern over power supplies.
4. If we shut down now, power station coal stocks would be enough to last 5 weeks. By maximising civilian road haulage, oilburn, gasburn and (if the NUM agreed) imports, that could be extended perhaps to 9-10 weeks. That would take us to Easter, but is arguably not enough; if ASLEF remained obstinate, only 30 per cent of normal power supplies would be available thereafter. The only ways of extending immediate endurance would be to use troops to move pithead stocks, which would involve requisitioning lorries and therefore a State of Emergency; and/or electricity cuts at an early stage. This suggests that before contemplating shut-down we should as rapidly as possible rebuild our depleted coal stocks by maximising oilburn now. That is what Mr Lawson recommends, in paper (1)(b), even

if we don't shut down. It would be expensive (about £40 million net per week) but is desirable whatever happens over ASLEF since, as he cogently argues, we shall need the coal which it will have saved when we come to next winter.

Next Winter

5. Paper (ii)(a) seeks decisions now, for implementation as soon as the ASLEF dispute is over, on

- the rate of coal deliveries this year from pithead to power station (the decision deferred in December until miners' pay was settled);
- the possibility of continuing oilburn at a higher rate than normal, and how to finance it;
- the possibility of increasing coal imports.

The answers will determine the level of power station coal stocks next November. In paper (ii)(b) Mr Lawson recommends maximised (ie "super-accelerated") deliveries; enough extra oilburn, on top of that, to ensure that by next November power stations have as much coal as they can hold (27 million tonnes or over 13 weeks' basic endurance); financing from the contingency reserve; and no unusual imports.

6. Although Mr Lawson's paper does not say so, it is still very unclear how much extra oilburn his policy would involve. Department of Energy officials now think it would be a lot less than the equivalent of 200,000 tonnes of coal a week which the MISC 57 report suggests. Because in the post-ASLEF situation both the NCB and the NUM will co-operate enthusiastically in maximising coal deliveries, they think only extra oilburn equivalent to perhaps 100,000 tonnes of coal a week would be needed from spring to autumn. The cost of that would be something over £150 million. Mr Lawson does not want to pass that on to the consumer because it would add about $2\frac{1}{2}$ per cent to electricity tariffs. But the Chancellor of the Exchequer will not want all the cost to fall on the contingency reserve. There may therefore be a case for dividing the burden cost between the consumer and the taxpayer.

7. The CPRS points in paper (ii)(c) are more general ones and do not need to be debated at this meeting if time runs short. But in that case they should be specifically reserved for later consideration within the next few weeks. They raise important issues which, while centering on next autumn's pay negotiations, affect policy decisions which will be being taken from the spring onwards.

HANDLING

8. To avoid confusion, discussion of the emergency this winter should be kept as separate as possible from preparations for next winter. The papers should therefore be taken in the two groups set out in paragraph 2 above, and in that order.

9. This winter. The Secretary of State for Transport should introduce paper (i)(a); the Secretary of State for Energy (i)(b); and the Chancellor of the Exchequer (c). The issues for decision are

- Are there any other ways of ending the ASLEF dispute?
Does the immediate choice boil down to fight on or shut down?
- Can shut-down be ruled out as too dangerous for the moment? If so, what developments might make it seem more acceptable?
- Can short-term coal imports be ruled out?
- Is it agreed that short-term oilburn should now be maximised?
- Should the cost of such oilburn be recovered from the consumer in due course?
- If we are to go on with partial ASLEF stoppages, should BR be told to continue giving priority to coal and oil movements, as implicitly suggested in paragraph 20.ii of the Treasury paper ((i)(c))?

10. If the sense of the meeting were to be that early shut-down is either desirable or unavoidable, the Home Secretary should be asked to arrange early consideration by the Civil Contingencies Unit of the implications. The Secretary of State for Energy, the Chancellor of the Exchequer and the Secretary of State for Industry should comment on the main areas of national vulnerability.

11. Next winter. The Secretary of State for Energy should introduce his paper (ii)(b), the discussion of which will subsume paper (ii)(a) (MISC57). The issues are

- Should coal deliveries this year be maximised, both by rail and road? The Secretary of State for Transport and the Secretary of State for Employment will wish to comment.
- Should coal imports be held to last year's agreed levels? The Secretary of State for Employment is likely to support this.
- Should extra oilburn be continued, after the ASLEF dispute is settled? Should its level be determined by what will maximise coal stocks in November?
- What is that oilburn likely to cost? How should the cost be apportioned as between taxpayer and consumer? What are the Chancellor of the Exchequer's views?

12. Finally, Mr Ibbs should introduce the CPRS paper. The Secretary of State for Energy should comment.

CONCLUSION

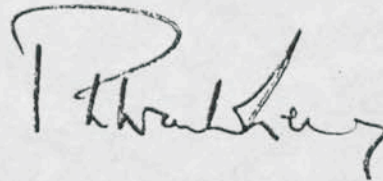
12. Your summing up will need to record decisions, under each of the 2 agenda items, on the issues in paragraphs 9 and 11 above.

13. On this winter, the immediate decision seems likely to be to fight on as we are for now, even if shut-down may become inevitable later. In that case, a further meeting of Ministers should be held in about a week, to review the situation; or sooner if the Secretary of State for Transport wishes.

14. Maximised short-term oilburn is also likely to be agreed. The Secretary of State for Energy should be asked to discuss the financial implications with the Boards and the Treasury.

15. On next winter, the Secretary of State for Energy's proposals are likely to be accepted. MISC 57 should be asked to report further on the amount of oilburn required, and how to pay for it.

16. If the CPRS paper has not been fully discussed, you could suggest a further meeting on it within a month at most.



R L WADE-GERY

5th February 1982

Prime Minister

David Howell is seeing

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Sir P Parker tomorrow and will report to you thereafter.

3 February 1982

You and the MSC57 group are to discuss the whole

Policy Unit

PRIME MINISTER

issue on Monday, on the basis of

c. Mr. Vereker

Treasury, DTP and Cabinet office papers. Would you wish to

THE ASLEF DISPUTE

consider this suggestion then?

MCS 3/2

We are worried that no serious consideration seems to be being given in Whitehall at the moment to the way forward on the ASLEF dispute. David Howell will no doubt be reporting to colleagues tomorrow, but our impression is that, with the failure for the time being at least of the ACAS initiative, BR and the Department of Transport are at their wits end. And before long Peter Parker is bound to be coming to us for more money, if not for a steer on what to do next.

We are also worried that the ACAS initiative, and indeed almost any negotiated settlement to the dispute, will be more favourable to ASLEF than the agreement already reached with the NUR; and that this will build up trouble, especially for this year's pay talks, as it could give Weighell a grievance.

It seems to us that we ought to be thinking carefully about closing the railway system down until the log jam is broken. A decision to do so would depend on legal advice about the obligation to continue to pay NUR staff; on how long BR could continue to pay the NUR if they did have to; and on how long ASLEF, who do not pay strike pay, would stick it out - we think no more than a few weeks. It seems to us that a fruitful avenue for exploration would be for Peter Parker to announce that the railways will be closed forthwith, that the NUR members would be paid, but only at the basic rate, and that they would not re-open until ASLEF agreed to participate constructively in the ACAS inquiry.

If you agree, the best way forward might be to invite the CPRS, in consultation with the Departments of Transport and Employment (and us) to look at this and report within a week on likely net costs and feasibility.

I am copying this minute to Robin Ibbs and Sir Robert Armstrong.

JOHN HOSKYNs

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Original filed on: -
 Nat Ind: Coal: Pt 5
 Ref: B06397

Prime Minister

To see what is afoot.

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MR SCHOLAR

CC. JV

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MUs 2/2

Coal and the Railways

This minute confirms the arrangements we discussed last week about the meeting of Ministers originally fixed for 4th February and now rearranged for 11.15 am on 8th February: viz. what issues it will need to address and what papers are to be provided.

2. The original purpose of the meeting was to take the decision on the level of power station coal stocks to be achieved by November this year which was postponed at the Ministerial meeting on 17th December until the outcome of the miners' pay negotiations was known. As seen in December this decision related only to the rate of delivery from pitheads to power stations: accelerated or super-accelerated. Since then, the unexpected diminution of power station stocks caused by the very cold weather and ASLEF stoppages has made it clear that Ministers will also need to consider other possible steps to increase power station coal stocks by next November; viz. more oilburn between now and then, and/or more imports.

3. But decisions in these areas cannot in practice be implemented while the ASLEF stoppages continue; and meanwhile the existence of those stoppages (coming on top of the cold weather) means that Ministers also need to address other coal issues, which are related to the level of power station stocks this winter rather than next. It may therefore be convenient to take these issues as Item 1 at the meeting; and to take as Item 2 the next-winter issues in paragraph 2 above.

4. Papers are being prepared as follows.

i. Three papers for Item 1

a. A note by the Secretary of State for Energy analysing the effect of ASLEF action and the cold weather on current power station coal stocks, assessing the possibility of stocks running down this winter to dangerously low levels and suggesting what might be done to avert this by eg additional oil burn during the next few weeks.

- b. A note by the Secretary of State for Transport on the latest state of the ASLEF dispute and considering possible "exits" if required. This will discharge the remit undertaken by the Secretary of State for Transport at Cabinet on 28th January.
 - c. A first report from a working group under Treasury chairmanship which is assessing the wider industrial and economic effect of the continuing ASLEF action.
- ii. Three papers for Item 2
- a. A paper from MISC 57 analysing the issues described in paragraph 2 above.
 - b. A note by the Secretary of State for Energy making policy recommendations on these issues.
 - c. A paper by the CPRS dealing with a number of factors likely to bear on miners' pay negotiations in the 1982/83 pay round.

All these papers will need to be circulated not later than first thing on Thursday, 4th February. (The above division of labour, incidentally, up-dates and replaces the slightly different one suggested in MISC 57(82) 2nd Meeting.)

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

2nd February 1982



R L WADE-GERY