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b.c. Mr. Whitmore
Mr. Ingham
Mr. Hoskyns
Mr. Scholar
Mr. Duguid

PRIME MINISTER

YOUR MEETING THIS AFTERNOON ON THE ASLEF DISPUTE

The first reactions of the BR Board and of officials to the McCarthy Inquiry were clarified at Sir Peter Baldwin's meeting at 2 p.m. this afternoon. Mr. Howell may bring to your meeting a short note of the issues, and he will need to supplement it with an oral report after he has found out what happened at this afternoon's meeting of the Board.

Mr. Howell saw Sir Peter Parker immediately after lunch. The initial BR view is that if the report had said that the negotiating procedure must end up with a binding award, they could have accepted it, but since it hasn't, they have a dilemma. Sid Weighell has already said that the report should be accepted by all parties; ASLEF are expected to do so eventually. McCarthy has given private indications that he will endorse flexible rostering in the further negotiations he proposes: but did not recommend it outright now because ASLEF would have rejected the report.

There are two quite strong arguments for acceptance of the report, which Mr. Tebbit will be briefed to put forward:

- (i) BR will have no sustainable public position if they reject it, because they will lose the goodwill of the other unions and of the public;
- (ii) no other way forward offers a better chance of an end to the dispute on satisfactory terms.

But there are also these arguments for rejection:

- (i) Whatever the Tribunal eventually says about flexible rostering will not be binding; we were sold a pig in a poke last August and we are now being offered another one; ASLEF's Executive is dominated by the far Left.

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- (ii) McCarthy effectively white-washes ASLEF without having taken evidence from them, and the public won't like it.
- (iii) The coal position is better than we thought: MISC 57 now reckons there are 14 weeks endurance without supply restrictions or the use of servicemen.
- (iv) Increased productivity is absolutely essential to economic recovery.

In practice, neither outright rejection nor outright acceptance by the Board is likely. They will try to search for a compromise, by attaching conditionality to the payment of the 3%:

- (i) They could seek an assurance from ASLEF that they really were prepared ^{to depart} from the 8-hour day. But ASLEF would not give it.
- (ii) They could seek a clarification of the first McCarthy recommendation, under which ASLEF confirmed their commitment to the August understandings. But that would not mean much.
- (iii) They could pay the 3% (as a bonus) provisionally, and withdraw it if the productivity is not forthcoming. ASLEF would probably regard that as tantamount to rejection of the report.
- (iv) They could agree to the report provided the Tribunal's recommendation was binding. ASLEF would certainly regard that as tantamount to rejection.

The decision for Ministers is whether the Government will sustain the BR Board if they seek conditions which carry the risk of continued industrial action. As you know, the Policy Unit is clear that we should: the industrial action is not hurting

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anything like hard enough to justify giving in easily, and we do not see why ASLEF are any more likely to deliver now than they did after August.

It may be necessary to have a further meeting of Ministers, already arranged for tomorrow afternoon, in the light of further consideration by the BR Board, and of the public reaction to the Inquiry.

Jk

16 February 1982

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