

PRIME MINISTER

MUS 18/2

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ASLEF

I have received periodic reports, on a private and personal basis, from Simon Jenkins of British Rail Board/Economist. This morning he gave me the following account of yesterday's developments:

1. As they went to the ACAS meetings yesterday, BR negotiators were pressed by Lowry, Murray and Weighell to settle as per the McCarthy report. If they did not, the whole of the TUC and union movement would come out in open support of ASLEF.
2. BR Board seemed to face the choice between accepting the McCarthy report or facing an early or immediate all-out strike. They decided that that could not go straight for an all-out strike because this would alienate the NUR.
3. During yesterday's discussions, BR negotiators pressed for one concession: Buckton must stop saying that the 8-hour day was sacrosanct. BR could not possibly pay the 3% or go along with the McCarthy proposals if Buckton continued to say this. So they tried to get the clearest possible understanding from ASLEF. ASLEF refused, for hours, to give it. They would not concede that BRB and ASLEF interpretation of last summer's agreement was really identical.
4. By 10pm they had got nowhere. ASLEF kept shouting "Accept McCarthy, you've lost". Murray then drafted a letter restating the principle that ASLEF would consider flexible rostering etc, in different words. BR negotiators signed it, so did Murray very reluctantly, so did Weighell and Lowry. ASLEF would not do so until Buckton had spent 3 hours contacting all members of his executive by telephone.
5. This morning, Buckton was immediately overruled by his own executive and told to go back and withdraw any commitment on the letter. Surprisingly, Buckton stood up to his executive and said that they could not continue like this. They had no option now but to sign and hope that things would turn out the way they wanted them to. Apparently they agreed.

6. British Rail Board now face three decision points. First, RSNT must find in BR's favour, and recommend flexible rostering. Second, ASLEF must accept and deliver on that recommendation. Third, the depots must themselves deliver. It is felt that the third decision is no problem. If ASLEF's executive undertake to deliver, the depots will obey.
7. BR Board think that the first and second gambles are reasonable gambles to take. They think it would be difficult, on the first, for McCarthy - after everything that has happened and with Weighell's and Murray's signatures on the letter - to sell out to ASLEF. On the second, they think it would be almost impossible for ASLEF to reject McCarthy's finding and thus go against the weight of trade union and TUC pressure.
8. If the first decision goes in BR's favour (McCarthy rules for BR) and the second does not (ASLEF rejects) BR will proceed to issue new rosters and will dismiss any ASLEF member who does not confirm with them. This is what the Chief Executive of BR told Jenkins.
9. If the first decision goes wrong (McCarthy sells out to ASLEF again) Jenkins himself proposed at today's BR Board meeting two steps (which were accepted by the Board):
- (i) BRB should issue a statement that they will never again appear before any tribunal or enquiry chaired by McCarthy, whom they regard as totally discredited and as having done the industry irreparable harm.
 - (ii) There will not be a penny more for ASLEF in the new pay round.

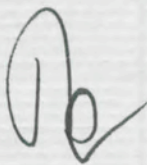
We would then have to prepare for an all-out strike during the summer months.

As regards perceived Government posture, Jenkins said that "messages coming through from Ministers seemed to be less than wholly clear". Parker had got the feeling that the Government were desperate to avoid a strike. (As it happens, looking at the sequence of events above, this probably did not materially affect

the BR negotiating stance.) Jenkins was telephoned by a journalist this morning who asked him to confirm that the Government had telephoned Parker last night to tell him to climb down. Jenkins stated categorically that no such thing had happened. The moral seems to be that the slightest sign of nerves on the part of Government may be interpreted by nationalised industry negotiators on the spot as meaning "surrender", when all the Government meant to say was "Don't escalate without consulting us". Government has to take great pains to ensure that the message (which at times seems to have gone from a meeting of colleagues to David Howell to Peter Baldwin to Peter Parker to Clifford Rose) is absolutely unambiguous. It has almost to be drafted as if it were an external statement.

Radio interviews today suggest that, in fact, Buckton is once again saying that the 8-hour day is sacrosanct and Parker is having to insist that Buckton doesn't mean what he says.

I am copying this privately to Geoffrey Howe at No.11.



JOHN HOSKYNS

Prime Minister

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19 February 1982
Policy Unit

PRIME MINISTER

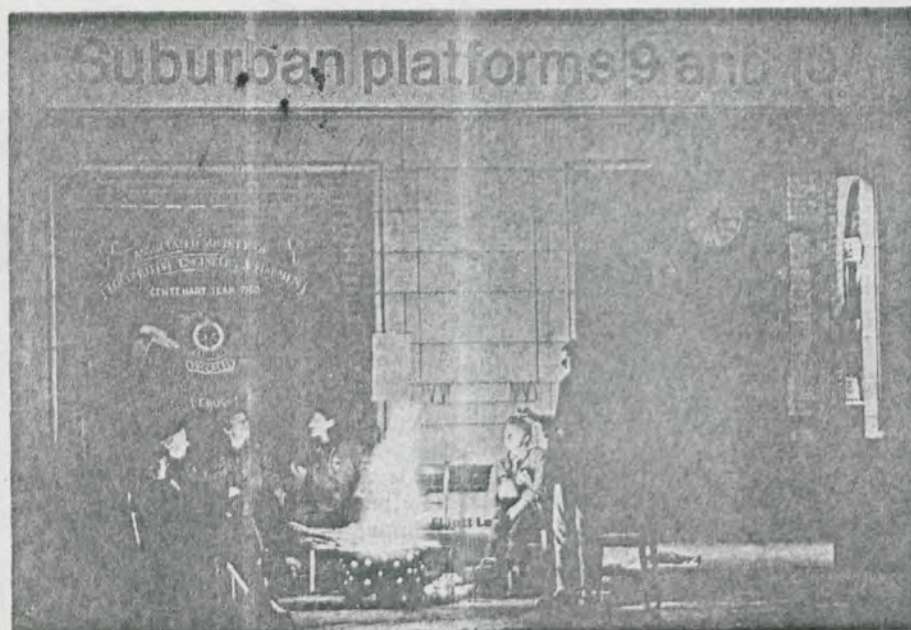
ASLEF

I think the attached piece from today's
Economist is a useful and balanced summary
of the affair.



JOHN HOSKYNS

BRITAIN



Waterloo for British Rail

The decline of industrial Britain is punctuated with surrenders disguised as the considered judgments of impartial arbitrators: Clegg (local authority workers, 1979), Wilberforce (coal miners, 1972) and Guillebaud (just about everyone, 1950s) were all milestones on the country's descent towards stagflation. This week it was possible to add another name to the list.

Lord McCarthy's inquiry into the train drivers' strike ruled that British Rail should pay an extra 3% to the drivers without prior agreement to raise their miserable productivity. In the early hours of Thursday morning BR agreed. The only concession by Aslef, the drivers' union, was an agreement to talk further about productivity. Even that was too much for some drivers who wanted to carry on striking.

The charitable hope is that BR and Lord McCarthy have cleverly eased Aslef off its refusal to budge from the eight-hour day. BR spent most of Wednesday trying to drag a commitment out of Aslef that more flexible rostering of working hours (the basic cause of the dispute)

would be on the agenda and that the union would negotiate a deal. In the end, Mr Ray Buckton, the Aslef boss, promised to negotiate seriously; he then said that he had made no undertaking to move from the eight-hour day.

BR is now gambling that when the issue inevitably goes before arbitration, the industry's tribunal will rule in favour of flexible rostering. It is also gambling that Aslef will accept such a ruling. BR thought it was given enough winks and nods in this direction on Wednesday to pay the 3%. Time will tell, but the omens are not encouraging.

Coughing up the 3% means that BR has lost the only sanction it had over Aslef to agree to a seven-to-nine-hour day (as the other unions have). Aslef clearly thinks it has been vindicated by the McCarthy inquiry. Mr Buckton has his militant executive to answer to. BR is hoping that a tribunal ruling backed by the combined might of the other rail unions and the Trades Union Congress (its general secretary, Mr Len Murray, was a party to Wednesday's truce) will force it to fall in line. But the hard men

on the Aslef executive have been impervious to such pressure in the past. BR has maybe done what it said it would never do: given Aslef something for nothing.

There was always a danger that BR would cave in: that is the track record of its management. The board's stand was handicapped by the fact that it had not tied the extra 3% in last August's pay deal closely enough to flexible rostering. It then compounded that error by agreeing to the McCarthy inquiry, even though Aslef refused to appear before it. BR bosses say they never expected it to award the 3% for next-to-nothing.

That was naive. BR should have known enough about Lord McCarthy to realise that that was the most likely result. Lord McCarthy is a Labour peer who has never made any bones about his pro-union sympathies; his first book was a defence of the closed shop. It was his formulation last summer which provided such a tenuous link between pay and productivity in the first place. Now it is the same Lord McCarthy who will chair the industry's tribunal when flexible rostering finally lands on its lap next month. BR thinks he will come down on its side. In this week's strike inquiry, however, he wrote that he had seen no evidence that Aslef had been unnecessarily obstructive or unhelpful. The union had mounted 16 disruptive one-day strikes and refused to explain its case to him. But he ruled in their favour anyway.

The worst way for management to handle a dispute is to act tough at the start and then cave in. That is how Britain's union militants have been strengthened and moderates undermined for the past 30 years. The Thatcher government is now faced with the depressing prospect that, once again, another nationalised industry has done just that. So far government ministers have rightly stayed out of the dispute. Now it is time for them to get in.

The government must make it clear that if the renewed talks do not produce flexible rostering then BR will not be bailed out. The strikes have cost BR at least £100m. Long-term losses will be greater since more industries have discovered that sending their freight by road is preferable anyway. Only a far more competitive rail system will ever wean that lost trade back. The strike must be paid for in cutbacks and lay-offs. The government should also look for a BR board canny enough to take on Aslef and win.