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Prime Minister

10 February 1982

Policy Unit

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PRIME MINISTER

ASLEF DISPUTE

mt
Thompson

We have had extensive discussions with CPRS and also some discussions with David Howell's office. We have not had an opportunity, at the time of drafting this minute, of seeing the CPRS minute for tomorrow's meeting, but we know roughly what it will contain. Here are some comments:

1. Our judgment remains that ASLEF's leaders and members are capable of sustaining the present level of disruption for longer than the commuters. There is some anecdotal evidence from the newspapers that commuters are working from home, taking holidays etc. It is unlikely that they can continue to do this indefinitely. By contrast, Department of Transport believe that quite a lot of ASLEF drivers have second jobs; we know that a third of them are over 55, and half of them over 50, so they have few family commitments. Moreover, 30% are paid monthly and have only just had their first pay slip showing lost earnings. It seems that ASLEF members are impervious to arguments about the future of the industry, effect on job prospects and also to TUC pressure.
2. Possible extension of present ASLEF disruption. It is possible that ASLEF might selectively disrupt coal movements on working days, while maintaining the present pattern of disruption elsewhere. This would lead to suspension of those involved and would mean maximum use of civilian transport, and eventually troops.
3. Should we consider escalation and closure of the system? We understand that David Howell assumes that this option is effectively ruled out by Nigel Lawson's grave warnings on coal endurance, the need for rota cuts immediately after closure, etc. Nigel's assessment of endurance at Monday's meeting was much gloomier than his own earlier figures had suggested, and we are doubtful about that assessment. With seven weeks' endurance, rota cuts should not be required immediately after closure, but maximum use of civilian transport, and eventually troops, would be required. We understand that ASLEF executive voted only 4-3 against an all-out strike but that consultation at branch level suggested a 4-1 membership majority against. This suggests that ASLEF members can sustain present disruption but would be hesitant about an all-out strike or closure.

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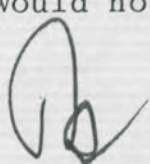
4. How might closure of the rail system end? Such evidence as there is suggests that ASLEF membership would not welcome total closure and they might therefore crumble fairly quickly. If closure did not bring ASLEF back to the negotiating table (and we may not want them there because "splitting the difference" would create problems with NUR) BR could consider an "ungraceful surrender". The 3% would be paid but it would be made quite clear that British Rail would start to run down, there would be no money for future pay increases, electrification schemes would be cancelled, steps taken to liberate road passenger transport, etc. That would be the worst case outcome for BR Board, and thus the Government (and, of course, for ASLEF and NUR in the long term).

5. We suggest that BR should ballot the ASLEF membership. BR do have the home addresses of all ASLEF members. A natural opportunity for a ballot would arise in the last week of February when BR reaches its borrowing ceiling and can validly threaten closure. BR would therefore warn that closure was imminent and unavoidable, and the ballot would ask the simple question: "Do you want to return to normal working, or would you prefer to be laid off as a result of closure of the rail system?" Alternatively, the ballot could be arranged less formally, by simply asking those who didn't want the system to close to turn up for work on Monday.

6. If the ballot outcome favoured a return to work, we think the strike would crumble. The ASLEF executive would then have no cards to play. If they were not prepared to negotiate afresh over the 3% and productivity, they would be tacitly accepting an 8% increase only.

7. If the ballot outcome was for closure, BR would close the system but would continue to pay NUR members for the basic week. If ASLEF outstayed British Rail, the latter would have to take the "ungraceful surrender" route described in 4 above, the Government being in no way involved.

8. We do not regard the idea of "accelerated destruction" of ASLEF as realistic. Quite apart from Bridlington, the TUC - and even the NUR - would not stand by and let this happen.


I am copying this minute to Robin Ibbs.

JOHN HOSKYNS

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ASLEF ACTION - COAL DELIVERIES TO POWER STATIONS

(Note by the Secretary of State for Energy)

ASLEF mid-week stoppages have curtailed coal delivery by rail from the NCB to power stations in England, Wales and Scotland by some $\frac{3}{4}$ mt a week. If ASLEF continued their present action and no steps were to be taken to offset the decline in power station coal stocks, the endurance of the electricity supply system would be reduced from over 5 weeks at present to about 3 weeks by the end of March.

2. Before that point is reached we would need to make arrangements to restrict electricity demand, introducing a lower level of restriction initially as a necessary preliminary to moving to more stringent control. - Effectively we would then be relying on nuclear and oil fired electricity and the limited coal we could move by road.

3. However, we agreed earlier this week to introduce measures to offset the erosion of coal stocks, notably greatly increased oil burn. Already, deliveries by road are building up from the normal level of 100,000 tonnes to 250,000 tonnes a week.

4. I have instructed the CEGB to increase their road and water borne supplies of coal to the maximum extent and will purchase additional electricity from Scotland where stocks and endurance are more favourable. As set out in the Annex, these measures should enable us to hold endurance at five weeks from now on or even improve on that if the weather remains mild and there is no hindrance to the arrangements, for example by the NUM.

5. I have been advised by the NCB that, in spite of isolated instances of NUM members refusing to load additional coal and the ASLEF appeal for support, it should be possible to continue road deliveries at their present level, or perhaps increase them, provided that this is done discreetly.

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6. An all out strike by ASLEF. There are three possible scenarios:-

- (a) NUR moving coal. I am advised that we cannot rely on the NUR to move coal by rail, if ASLEF move to an all out strike. NUR drivers (1600 against ASLEF's 23,000) are unlikely to be in the right place, familiar with the required routes or willing to substitute for striking ASLEF drivers (NUR members have been advised not to cross picket lines during the current actions; less than 10% of the NUR drivers have reported for duty). I do not believe it is realistic to think we could rely on the NUR to move the required coal. (This would be even more the case if British Rail introduce a lock out).
- (b) NUM co-operation. In relying on road and water for the delivery of coal, the attitude of the NUM will be important. On present advice, it seems likely that the NUM members would be prepared to continue to deliver some 250,000 to 300,000 tonnes a week, ie at about the present rate. There is a risk, however, that they might refuse to handle more than the normal level of road borne supplies ie some 100,000 tonnes. Physically, as much as 500,000 tonnes could be moved by road but it seems unlikely that NUM tolerance could be pushed that far.
- (c) The use of Servicemen. MISC 57 assessed the potential for servicemen moving coal from pithead to power stations at about $\frac{1}{2}$ - $\frac{3}{4}$ mt a week. MISC 57 also emphasised the possible adverse political and industrial relations repercussions. The NUM would almost certainly block road deliveries by servicemen in the event of an all out ASLEF stoppage and would probably extend their action to picketing service lorries or servicemen who

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attempted to load coal. The consequences for law and order would be serious.

Conclusion The measure already in hand should enable us to hold the position unless ASLEF's action escalates to an all out strike. In the event of an all out strike, I see no prospect of avoiding electricity restrictions (we would then be losing some 1mt a week from stock). We would need to impose some restrictions approximately four weeks after a stoppage and then to tighten these progressively; by, say, the sixth week we should need to cut demand by an unprecedented 40% or 50%.

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EFFECT OF MEASURES TO HALT EROSION OF POWER STATION STOCKS (GB)

		(mtce)					
NO EXCEPTIONAL ACTION	ENDURANCE	ADD ϕ EXTRA OIL BURN	ADD \times EXTRA ROAD DELS	ADD EXTRA SCOTS ELECTRICITY	STOCKS	ENDURANCE	
ending 7 Feb	13 $\frac{1}{2}$						
14 Feb	12 $\frac{3}{4}$	over 5 weeks	?	$\frac{1}{4}$?		
21 Feb	12	5 weeks	0.4	0.3	0.1	12 5 weeks	
28 Feb	11 $\frac{1}{4}$	under 5 weeks	0.4	0.3	0.1	12.1 5 weeks	
7 March	10 $\frac{1}{2}$	over 4 weeks	0.5	0.3	0.1	12.2 over 5 weeks	
14 Mar	9 $\frac{3}{4}$	under 4 weeks	0.5	0.3	0.1	12.2 over 5 weeks	
21 Mar	9	3 $\frac{1}{2}$ weeks	0.5	0.3	0.1	12.4 over 5 weeks	
28 Mar	8 $\frac{1}{4}$	3 weeks	0.5	0.3	0.1	12.5 over 5 weeks	
4 April	7 $\frac{1}{2}$	under 2 weeks	0.5	0.3	0.1	12.6 over 5 weeks	

ϕ Oil burn less than estimated earlier. Rail dependent oil deliveries have been adversely affected by Aslef; both oil depots and power stations have been affected.

\times It would be possible to add 0.2 mt a week if rail deliveries stop and NUM prepared to handle.

BRITISH RAIL'S TEMPORARY BORROWING

Note by the Secretary of State for Transport

I was invited to report on the options open in respect of British Rail's (BR's) temporary borrowing limit.

2. The limit is at present £110m, of which £10m is reserved for expenditure on withdrawal from the collected and delivered parcels business. The temporary borrowing requirement fluctuates from day to day, but at this time of the year is normally on an upward trend.* On Monday 8 February, the borrowing stood at £50m. Future requirements cannot be predicted exactly, but the Board's latest estimate is that, if ASLEF continue to strike on the present pattern of two weekdays and Sundays, they should be able to manage within the £100m ceiling until 5 March, on which date they will require an increase of £50m in the limit. If the strikes continue on this pattern after that, the Board will require a further £50m increase at about the end of March; and similar increases for each four weeks of strike action.

3. There can be no question of BR's borrowing on the strength of their assets alone with a specific denial of the implicit Government guarantee of the credit of nationalised industries, and a departure from the Government's policy on public sector borrowing. Banks and other lenders normally insist on a guarantee from Government, except in the case of some soft loans for resaleable assets such as ships. Given the Board's dire financial plight, lenders are bound to be more cautious.

* NOTE: The temporary borrowing requirement is related indirectly to the external financing limit (EFL) in that the difference between the temporary borrowing levels at the beginning and end of the year is one component of the external financing requirement: the others are net long-term borrowing (including leasing) and grants.

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4. The options are therefore to increase the limit on temporary borrowing or, if we decide that we cannot back further borrowing, to meet the Board's cash requirements by grants under the Appropriation Act: the timing would mean that there would probably need to be recourse to the Contingency Fund.

5. To attempt to appoint a receiver is not an option. Even if we succeeded in an application, a receiver could do nothing that the Government cannot do. We appoint the Board; have a large financial stake in the business; and are inextricably involved in its finances through public service obligation grant. And large problems would arise if the Board had to default on wages and other debts.

6. To meet the Board's cash requirements by grants instead of loans would greatly increase our responsibility for the Board's expenditure, and therefore draw us much more deeply into the handling of the present dispute, and the running of the business. We can, in my view, lend to the Board for the time being, though if the debt continues to mount, we could not continue to lend indefinitely because of problems of propriety.

7. I have considered whether we could attach conditions to an increase in the borrowing limit. There are two possibilities:

(a) to link an increase to conditions that BR should dispose of Sealink and the remaining hotel business.

It is our stated policy that these businesses should be disposed of as soon as practicable. A distress sale, with prices well below market values, would be criticised as imprudent treatment of public assets. NUR, who make up most of the hotel staff, and a significant proportion of Sealink staff, would certainly object, and might well embark on industrial action.

The Board is disposing of its surplus (and some operational) property as fast as it can. BR have achieved sales of about £100m

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over the last three years. I am pressing them for faster action.

(b) to link an increase in the borrowing limit with conditions imposing cuts on rail services.

Though this would more directly affect ASLEF members, it would also alienate NUR and TSSA. Cut-backs in freight services now seem almost inevitable, and it might be as well for BR to start spelling out specific reductions. But for us to impose cuts of this kind would pre-empt the review of railway finance that I have already announced which should start as soon as the industrial problem has been resolved. It would also lend colour to the ASLEF argument that we plan to use this dispute to impose cuts.

CONCLUSION

8. I conclude

(a) that an increase in the Board's temporary borrowing limit is the only practicable course. I should agree the arrangements with the Chief Secretary, and inform Parliament at the appropriate time;

(b) as well as pressing the Board to speed up disposals, to alleviate their cash problems, I should make it clear to them that the extent of their indebtedness must be a factor to which the ^{financial} review, and Ministers, will have to address in considering the nature of the railway that we can afford.

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