

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 81-123
June 18, 1981

Potential Air Traffic Controllers' Strike - June 21, 1981

TO ALL FINANCIAL INSTITUTIONS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

The contract between the Federal Aviation Administration (FAA) and the Professional Air Traffic Controllers Organization (PATCO) expired on March 14, 1981. Since that time, the two parties have been involved in extensive contract negotiation, but have not been able to reach an agreement. It appears that PATCO may go on strike at midnight, June 21, 1981, which could result in a substantial curtailment in air transportation throughout the nation.

Reduced air transportation services, which would vary depending on the extent of the curtailment, may be expected to disrupt normal Federal Reserve check collection operations. This disruption would affect direct sending and consolidating banks, and Federal Reserve shipments to all other Federal Reserve offices, as well as to some paying banks. Due to an increase in transportation time if the strike occurs, there may be delays in the return of dishonored items. Banks should consider this delay when calculating return items. If normal cash letter crediting policies and operating procedures remained unchanged, Federal Reserve float would be expected to increase substantially.

Efforts will be made to limit the impact of disruptions in normal air transportation on Federal Reserve float. Accordingly, the Reserve Banks are developing contingency plans for that purpose. These plans may include a temporary suspension of direct sending privileges, changes in deposit deadlines, and changes in availability on cash letter shipments to some intraterritory and interterritory endpoints (including extensions beyond the current two-day maximum deferment policy). To minimize potential disruptions to the nation's payments mechanism, the Federal Reserve Banks intend to take advantage of all available transportation facilities.

In addition, presentation to financial institutions in Reserve cities will be extended wherever possible. This will allow a greater percentage of work to be processed timely and preserve credit schedules.

If it becomes necessary to implement the contingency plans under development, the Federal Reserve will provide notice as early as possible recognizing that a national strike may dictate limited advanced notice.

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

Please address all inquiries on contingency planning to Jess Insall at the Head Office, (214) 651-6399, Martin Ramsey at the El Paso Branch, (915) 544-4730 Ext. 244, Louis Moore at the Houston Branch, (713) 659-4433 Ext. 21, or Rene Gonzales at the San Antonio Branch, (512) 224-2141 Ext. 420.

Sincerely yours,

A handwritten signature in cursive script that reads "William H. Wallace". The signature is written in dark ink and is positioned above the printed name and title.

William H. Wallace
First Vice President