

PREM 19/931

PART 2 ends:-

9. 2. 82

PART 3 begins:-

10. 2. 82

Top Copy
on Coal C/W



Prime Minister

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Ms 9/2

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

EMERGENCY OILBURN : PUBLIC EXPENDITURE ASPECTS

I have been thinking about our meeting yesterday.

2. I of course stand by our decision that power station oilburn in England and Wales should be maximised at once, and I shall be in touch with Nigel Lawson about how the costs, while the ASLEF dispute lasts, are to be met. If the dispute were to run until the end of March, the net costs would be some £260 million. Some of this could no doubt be accommodated by the electricity supply industry within their existing EFL; the balance, if any, would have to be found from this year's contingency reserve, but I foresee no major problem about that.

3. I am, however, very concerned about the consequences for public expenditure if the increased level of oilburn was to be maintained after the end of the ASLEF dispute. The costs in 1982-83 would be very considerable: some £240 million plus another £50 million for the accelerated coal scheme if it too were agreed. To accommodate these would risk increasing next year's contingency reserve, and next year's public expenditure total rising to some £115.5 billion, which would be widely seen as a significant move away from the £115 billion mentioned in our 2 December statement. Moreover, options for the Budget - on which I should like to have a further word with you tomorrow - would be constrained, since the increased costs would bring a commensurate PSBR increase. £240 million-worth of fiscal relief could bring significant dividends; whereas the accelerated



oilburn would buy us by November only three weeks extra power station endurance. A bad buy. I think that we must resist pressure in Cabinet for immediate implementation of the MISC 57 proposals for accelerated oilburn for 1982-83. We need to distinguish between what must be done in 1981-82, and what could be done in 1982-83; and the oilburn proposal for 1982-83 does not, seen from here, look like the best use of resources. Perhaps we could discuss this during our meeting tomorrow.

A handwritten signature in dark ink, appearing to be "G.H." with a flourish.

G.H.

9 February 1982

*Original in National Archives
Coal. PFS.*



*12 de
to Venker
Duguid*

10 DOWNING STREET

From the Private Secretary

9 February 1982

Dear Julian,

Coal and the Railways

The Prime Minister held a meeting yesterday morning to discuss your Secretary of State's two minutes to her of 4 February, the Secretary of State for Transport's minute of 5 February, the minutes to me of 1 February from Mr. Ibbs and of 4 February from Mr. Wade-Gery, covering a report by MISC 57, and the report circulated under cover of Peter Jenkins' letter to me of 3 February. Those present apart from your Secretary of State were the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Industry, Transport and Employment, the Minister for Home Affairs and the Environment, Scottish Office, Mr. Ibbs and Sir Robert Armstrong.

Ministers decided:-

- (i) that power station oilburn in England and Wales should be maximised immediately, as proposed by your Secretary of State. No increase in power station oilburn was necessary at this stage in Scotland;
- (ii) that the Chancellor of the Exchequer and your Secretary of State should consider further how the costs involved in increasing power station oilburn might be met. There was general agreement that the costs should not be passed on immediately in full to the consumer, resulting in a substantial increase in electricity prices beyond that already due to take effect on 1 April. Your Secretary of State and the Chancellor were asked to consider whether instead they should be met by a special Government grant or by increased borrowing by the CEGB, which would result in a small increase in prices over a long period;
- (iii) neither the Railways Board nor the Government should take any step at this stage which might escalate the railway dispute. But your Secretary of State should investigate urgently the endurance that power station coal stocks might offer in the event of an all-out strike by ASLEF on the basis of the following three scenarios:-
 - (a) that the NUR would be ready to move as much coal as possible by rail;

- (b) no co-operation from the NUR and the maximum level of delivery of coal by road to the power stations by civilian drivers; and
- (c) the use of Servicemen to deliver coal to the power stations.

He should also consider how far in each scenario the NUM might be expected to continue to co-operate in the maintenance of power station coal deliveries. The Prime Minister asked that this work should be completed in time for your Secretary of State to report the position to Cabinet this Thursday;

- (iv) the CEGB and the National Coal Board were to maximise as quickly as possible power station coal deliveries by road and by water-borne transport and your Secretary of State should investigate as a matter of urgency the level of deliveries that might be achieved in this way. But no immediate steps should be taken to increase coal imports beyond planned levels;
- (v) the CPRS in consultation with the Department of Transport, the No.10 Policy Unit and the Department of Employment should consider urgently how the ASLEF membership might be induced to agree to the productivity improvements sought by the Railways Board, for example through the introduction of generous redundancy terms along the lines of the coal industry scheme; and whether it might prove possible to dissuade other trades unions from supporting ASLEF;
- (vi) the Secretary of State for Transport should report to the Cabinet as soon as possible on the options open to the Government in respect of the present limit on temporary borrowing by the British Railways Board, which is likely to be breached towards the middle of this month if the ASLEF dispute continues, and in particular on whether it might be possible to require the Board to borrow against its assets without a Government guarantee or to link increased temporary borrowing with faster asset disposal in other ways;
- (vii) the Secretary of State for Industry should consider with the Chairmen of British Steel and British Leyland whether it would be possible or advantageous for them to represent to the trades unions in their industries the case for their bringing pressure on ASLEF to settle, because of the long-term implications for these industries of the continuation of the ASLEF dispute; and
- (viii) Ministers would wish to consider at a later stage strategy towards power station coal stocks next winter. Meanwhile your Secretary of State should explore with the CEGB, the NCB and the BRB what maximum level of deliveries to the power stations might be possible once the ASLEF dispute was resolved.

Finally, as I have already mentioned on the telephone to you, I think the Prime Minister would find it helpful to know in greater detail the basis on which your Secretary of State's estimates of current and possible future power station endurance were derived. Perhaps a note on this could be included in the report mentioned at (iii) above.

None of these pieces of work are to be circulated to Departments; the Prime Minister would be grateful if they were brought to Cabinet on Thursday, for distribution there.

I am sending a copy of this letter to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Industry, Transport and Employment and to Robin Ibbs and Sir Robert Armstrong. I should be grateful if you and they would ensure that it is circulated on a strictly "need to know" basis.

Yours sincerely,

Michael Scholars



Julian West, Esq.,
Department of Energy.

SECRET

MR HOSKYNS

cc Mr Scholar
Mr Duguid

pg 11

ASLEF DISPUTE

I agreed to record the main reasoning and conclusions at the Prime Minister's meeting this morning, for purely internal use; the Prime Minister has of course made it clear that she does not want a normal record circulated.

Reasoning

The main new arguments produced seemed to be:-

- i) Mr. Howell reported that Peter Parker feels that the time may come, but has not yet arrived, to deliver an ultimatum to ASLEF; and that if about 25 per cent of ASLEF drivers then turned up for work, the strike would crumble.
- ii) Mr. Lawson, departing dramatically from his circulated minute which says that 7 weeks' endurance is now available (including oil burn) - which the Cabinet Office brief reckons is in fact 9-10 weeks - announced that rota cuts would need to be introduced as soon as the railways closed. Regrettably, this assumption, fundamental to the subsequent discussion, was not properly tested.
- iii) Mr. Lawson said, correctly I believe, that endurance could be stabilised at the present level of ASLEF disruption if we moved to immediate maximum oil burn. He thought it would be possible to increase road deliveries from the present level of 110,000 tonnes per week to 260,000 tonnes per week.
- iv) Robin Ibbs, who played a forceful part in the discussion, asked that an explanation be found as to why more could not go by road, given that we were assuming that the troops could manage 750,000 tonnes; Nigel Lawson undertook to investigate.

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- v) Robin Ibbs also said that work should be done to clearly define endurance under three separate conditions:-
- a) if some NUR drivers are available;
 - b) with maximum civilian road transport; and
 - c) with servicemen
- vi) The use of servicemen was not ruled out, but there was a strong presumption against it, and I think Ministers would only be able to contemplate it as a fail-safe.
- vii) There was unanimity that the cost of increased oil burn should fall on the taxpayer, not on electricity prices.
- viii) There was extensive discussion about the likely behaviour of ASLEF under different circumstances, and no conclusion was reached.
- ix) The Prime Minister suggested we might start training young drivers, but Robin Ibbs poured cold water on it.

Conclusions

The principal conclusions to ~~be~~ emerge from all this (the Cabinet Office record will be a more authoritative version) were:-

- i) The coal endurance situation is so bad that we are not in a position to encourage an escalation of the dispute. This fact must be kept entirely secret, lest it encourage ASLEF to escalate it from their side. We should move over to maximum oil burn immediately.
- ii) You and Robin Ibbs should co-ordinate an urgent investigation of ASLEF's likely reaction to different circumstances, their financial motivations, their likely reaction to a special redundancy package, and any possible way of influencing them.

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- iii) The Department of Energy should urgently investigate the endurance pattern proposed by Robin Ibbs.
- iv) All the further work concluded in time for discussion in Cabinet on Thursday.

We have of course already had our first session with the CPRS, and will be endeavouring to answer the list of questions Graham McKenzie is drawing up, with a view to our taking a position on the central judgment of whether our endurance exceeds ASLEF's in the event of closure; and whether ASLEF exceeds ours in the event of continuation of the present pattern. It is particularly unfortunate that Robin Wade-Geary is away at present, because the further action on the endurance side is now back in the hands of the Department of Energy; as I mentioned to you, the Prime Minister did in fact write "yes please" at the end of our suggestion for further work by MISC 57.

8 February 1982

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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

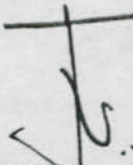
we shall have seven weeks. We think it unlikely that ASLEF could sustain an all-out strike for anything like that long. But even if they did, other measures are available to avoid either power cuts or giving in. First, we would use as many ASLEF drivers as are prepared to work to move coal. Second, we 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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Prime Minister

Prime Minister

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
~

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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PRIME MINISTER

Original filed on:-
 Nat Incl: Coal: 1/25

c.c. Mr. Hoskyns
 Mr. Duguid

YOUR MEETING ON COAL STOCKS AND THE ASLEF DISPUTE

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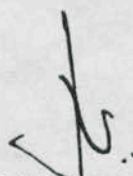
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5 February 1982

Ref: B06404

*Original filed on: -*PRIME MINISTER*Not Ind: Coal: Pc 5*

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

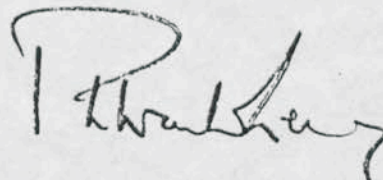
12. Your summing up will need to record decisions, under each of the 2 agenda items, on the issues in paragraphs 9 and 11 above.

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



M

10 DOWNING STREET

PRIME MINISTER

29/1/82

Another letter from Geraint Morgan about the deficiencies of British Rail Management. It is an eloquent expression of the views of many rail users, in the light of the dispute and consequent publicity. Rare though it is to see Mr. Morgan in the House, he feels so strongly about this that it might possibly crop up in Question time one day.

MA

3 February 1982

Prime Minister

David Howell is seeing

CONFIDENTIAL

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

CONFIDENTIAL

ECONOMIC EFFECTS OF ASLEF DISPUTE

Report by an inter-departmental Group of Officials

I Introduction

1. Work is already in hand, and is being reported on separately, concerning:

(a) The possibility of the dispute creating a threat to supplies and services essential to the life of the community; this is being monitored by the Civil Contingencies Unit.

(b) The effect of the dispute on the movement of coal and stocks at power stations.

2. The present report considers the wider economic (primarily industrial) effects on the assumption that the dispute continues for a considerable time (eg two months or so) at about its present level of intensity (no trains on Sundays and two other days per week).

3. The study is confined to the movement of freight. There is no present evidence that the interference with passenger travel, though causing personal inconvenience especially in parts of the London travel-to-work area, is sufficiently serious to cause measurable loss of output.

II Pattern of rail freight transport

4. In general, except for two commodities, the railways do not account for a large part of the total movement of industrial goods. The exceptions are coal/coke and ferrous metals. Examples are below.

<u>Commodity</u>	<u>Percentage moved by rail</u>
Coal and coke	<u>58%</u>
Iron and Steel	17%
Chemicals	7%
Petroleum products	6%
All other major categories	Less than 10%.

Fuller details are given in Table 1 attached.

III Nature of disruption

5. Very roughly half the normal quantity of rail freight is being moved. The traffic that is moved takes longer since a backlog builds up. But this is self-limiting because of the difficulties of providing waggons for loading, and so the consignor often chooses (where practicable) to send goods by another method. The effect on firms therefore depends on how far that option is open in their particular circumstances.

6. The road haulage industry has been hard hit by the recession and has considerable spare capacity at present. It is benefitting from the increased demand created by switching from rail which it is generally able to meet by using spare capacity. No particular bottlenecks or significant hardening of prices have developed. The picture is broadly one of maintaining, rather than building up, industrial stock levels.

7. The few industries directly affected are, as one would expect, those with a high dependence on rail as shown in paragraph 4.

8. Coal is the most important. There could of course be general disruption to industry (and more widely) if the curtailment of the flow of coal to power stations were to lead ultimately to a need for load-shedding. This aspect is being separately monitored. Coal exports have fallen by half.

9. Steel is the other industry likely to be significantly affected. The industrial action is having limited effects in the British Steel Corporation on movement of raw materials (ore and coal) and some steel products. To date, the only significant effect on production has been at Teesside where steel production has been reduced. This is because stocks of finished steel have reached capacity levels for products where rail transport is the only practical method of delivery. BSC is watching the situation closely at a number of other works including those which make tinsplate and other coated flat products.

10. Apart from this there are no major bottlenecks. A few companies move bulk chemicals by rail mostly in dedicated trains; they are, with some difficulty, managing to cope with the problem by rescheduling trains. There could also be difficulties with delivery of certain petroleum products to particular locations (eg aviation fuel to Gatwick). British Leyland are experiencing some difficulties with the supply of materials and have resorted to road transport; all export vehicles from Longbridge are moved by rail and are having to be stockpiled. Ford, Talbot and Vauxhall, and main suppliers such as Lucas and Perkins report no difficulties.

11. Disruption of supplies and processes has thus in general been minor. Except in the case of coal this, broadly, is the pattern we expect to continue, though with perhaps more severe effects ultimately emerging in the case of particular products/firms dependent on specialised vehicles.

IV Financial effects of disruption

12. The main effect is on BR itself. They currently lose about £12 million per week in net revenue from the strike. But there is also likely to be a permanent loss of traffic share, as consignors decide to remain with the non-rail alternative that they have tried during the strike. BR will also face fiercer price competition in future contracts. BR's own estimate is that a 4-week dispute might produce a permanent reduction of between £60 million and £160 million per annum in their gross revenues. The exact effect is clearly a

matter of judgement; but, the longer the strike, the greater the likelihood of a figure towards the upper end of that range.

13. Adverse effects on NCB finances are following from deferred sales and (because of lower movements) reduced output. There will also be, less serious, repercussions on the finances of BSC, and the CEGB.

14. Otherwise the costs associated with the disruption seem likely to be very diffused and probably minor.

15. Against these costs need to be seen the costs in terms of lower efficiency, greater indiscipline and higher pay demands generally if the ASLEF action were to succeed.

V Sympathetic industrial action

16. In present circumstances it is unlikely that there will be any significant degree of secondary industrial action in support of ASLEF, or that such action could be co-ordinated in a way which affected significantly BR's ability to operate in its present, limited way; but localised sporadic action against the movement of goods which, but for the dispute, would normally be carried by rail cannot be ruled out.

17. The Employment Act 1980 has already restricted the immunity for secondary action substantially. Under the 1980 Act secondary action is unlawful unless it is targetted directly on the supply of goods or services destined for or supplied by the employer in dispute (in this case British Rail). If the secondary action is directed at the business of other employers (eg if miners refuse to allow coal to be loaded onto lorries in sympathy with the ASLEF strike) it is unlawful.

18. The Employment Bill (which had its First Reading on 27 January) does not contain any provisions which bear on secondary action in circumstances where (as with ASLEF and British Rail) there is a primary dispute. The only provision which might be relevant is that which enables proceedings to be taken against a trade union itself if unlawful

action has been authorised or endorsed by the Executive Council, General Secretary, an official given specific power by the union rules to call such action, or (under certain circumstances) other paid officials of the union. In such cases it will enable an employer whose business is damaged by unlawful action to sue the NUM itself (to take the example quoted above) for an injunction and damages. At the moment such an employer can sue only the President or the individual official who organised the unlawful action.

19. It would be very difficult to justify accelerating progress on the Bill to deal with secondary action which is already unlawful. On the present timetable the Bill would be brought into effect in August/early September. It is likely to be fiercely opposed at all stages, and the prospects of accelerating it would anyway be bleak.

VI Action which could be taken to minimise damage

20. Two possibilities occur to us.

(i) Action may be desirable to conserve coal stocks for electricity.

(ii) BR are giving priority to coal and oil movements, but will be under pressure from other customers. It is for consideration whether BR should be informed of the Government's priorities regarding the movement of such freight as can be moved.

21. Of the above (i) is to be considered separately. Ministers may wish to make arrangements for (ii) to be investigated.

VII Information-gathering

22. This assessment has been based on some positive evidence (eg that ports and airports are handling at least normal volumes and the postal service is being maintained with relatively minor loss of quality) and BR's own reports from their customers; but mainly it depends on negative evidence (eg that few problems have been reported to the Department of Industry's regional offices). The industrial aspect has

been discussed with the CBI; their assessment is similar. Steps are in hand for limited direct inquiries (eg to chemical companies and concerning cars and components).

23. It is not, however, at present proposed to activate the intensive monitoring provided through the Business Statistics Office at the time of the steel strike. It is felt that to do so would be out of scale with the present situation, and the volume of enquiries sent out might generate needless anxiety and strengthen ASLEF's hand. If, however, evidence arose that the situation was becoming more serious, Ministers could be asked whether the arrangements should be put into force.

24. We propose to review the industrial effects in two weeks time; provided that there is no escalation of the industrial action, we think it unlikely that the situation will change sufficiently to necessitate an earlier review.

VIII Conclusions

25. (i) The supply of coal to power stations and, to a more limited degree, steel output and processing are being disrupted.

(ii) Otherwise no significant industrial effects of the dispute have yet been observed.

(iii) If significant industrial effects do occur, it is more likely to be the indirect consequence of problems relating to coal and electricity than the direct effect of the dispute on particular firms.

(iv) Bottlenecks may, however, occur affecting particular commodities/firms/locations. In total we do not expect them to be substantial in relation to overall economic activity.

26. We recommend

(a) Consideration of the issues noted in paragraph 20.

(b) A further review and report on the economic effects of the dispute in two weeks' time.

TABLE 1 NORMAL OVERLAND TRANSPORTATION & AVERAGE LENGTH OF HAUL
BY BROAD COMMODITY GROUPS

DESCRIPTION OF GOODS	MODE OF TRANSPORT	FREIGHT LIFTED		FREIGHT MOVED		AVERAGE LENGTH OF HAUL
		MILLION TONNES	%	BILLION TONNE KILOMETRES	%	KILOMETRES
Food, Drink, Tobacco & Agricultural Products	Road	288	100	23.5	98	86
	Rail	1	-	.5	2	437
	All	289	100	24.0	100	
Minerals, Earths & Stones	Road	333	96	11.5	85	37
	Rail	15	4	2.1	15	142
	All	348	100	13.6	100	
Building Materials, Wood, Timber & Corn	Road	167	98	9.8	93	57
	Rail	4	2	.7	7	169
	All	171	100	10.5	100	
Coal & Coke	Road	67	42	2.7	29	42
	Rail	94	58	6.5	71	69
	All	161	100	9.2	100	
Crude Oil, Petrol & Petroleum Products	Road	75	33	4.5	27	59
	Rail	14	6	2.3	14	165
	Pipeline	82	36	9.9	59	
	Coastal Shipping	56	25	..	..
	All	227	100	16.7	100	
Iron & Steel & Other Metals	Road	65	83	7.2	81	109
	Rail	13	17	1.7	19	132
	All	78	100	8.9	100	
Motor Vehicles & Components	Road	..	..	..	..	..
	Rail	1	..	0.3	..	345
	All	..	..	..	..
Chemicals & Fertilizers	Road	56	93	7.0	89	126
	Rail	4	7	.9	11	229
	All	60	100	7.9	100	
All other commodities	Road	322	94	29.5	..	86
	Rail	9	3	3.0	..	..
	Coastal Shipping	6	2	..	..
	Inland Waterway	5	1	.1	..	
	All	342	100	32.6	..	
All commodities	Road	1373	82	95.7	78	69
	Rail	154	9	17.6	14	115
	Others	149	9	..	..
	All	1676	100	123.3	100	

NOTES

Road includes all carriage of goods on public roads by British registered vehicles but excludes work done by foreign goods vehicle.

Rail excludes freight by passenger trains.

Statistics for motor vehicles and components are also included with "All other commodities."

The freight statistics and the average length of haul statistics have not been collected on the same classification of commodities, but this does not preclude broad comparisons between them.

Symbols .. = not available
 - = nil or negligible

Source Transport Statistics of Great Britain 1970 - 1980.
 Tables 1.12, 1.13, 1.14, 1.15, 2.17, 3.4 and 3.6.

PRIME MINISTER

CHAIRMAN OF THE RAILWAY FINANCE REVIEW BOARD

Prime Minister.
We are awaiting further
advice from Mr Howell. We
have asked him, as you will know, to
submit to us some names with experience of
transport economics.

Prime Minister (2)

MS 3/2

per
3i.

ms

1. You made it clear that you thought that the Chairman of the review of rail finance should have some experience of transport as well as being skilled in finance and business management.
2. I think the obvious candidate is Christopher Foster. He certainly has stature in industry and has had considerable experience as a "company doctor" in Coopers Lybrand. I believe he has sound ideas and, more critically, the moral courage to carry them through. Since he is on Megaw, he may not be available immediately.
3. Another possibility is Alfred Goldstein. He served with me on the Roskill Commission some 12-14 years ago. He is the senior partner in the firm of civil engineers, R. Travers Morgan and Partners. He is well-known and very well respected in transport circles. But he has not had Foster's very extensive experience as a "company doctor". On the other hand, Goldstein is enormously intelligent and erudite. He is a natural economist, and is in my view even better than Foster in this regard, and he has a very fine, logical mind. But most important again, he has even greater moral courage than Christopher Foster this. I have seen displayed in various instances, such as the Roskill Commission and the Australian Airport project and the Australian railway projects.
4. You mention the possibility of bringing in a foreigner who had been a successful railway administrator. I am afraid they are rather rare birds. And they usually have their own peculiar ideas on optimum railway financial arrangements. I cannot think of one who I could in good faith recommend.
5. I mentioned Foster and Goldstein to Sir Peter Baldwin. He believed they were possibles and was going to approach David Howell.

3 February 1982

ALAN WALTERS

AW

BM 16/2

Transport

3 February 1982

I attach a further letter to the Prime Minister from Mr. Geraint Morgan, M.P., about his view of the inadequacies of British Rail Management. I should be grateful for a draft reply for the Prime Minister's signature by Tuesday 16 February.

M A PATTISON

Anthony Mayer, Esq.,
Department of Transport.

/k

3 February 1982

I am writing on behalf of the Prime Minister to acknowledge your letter of 29 January. I will place your letter before the Prime Minister and a reply will be sent to you as soon as possible.

M A PATTISON

Geraint Morgan, Esq., Q.C., M.P.

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

Prime Minister

To see what is afoot.

7 31

MR SCHOLAR

CC. JV

m

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

CONFIDENTIAL

1 February 1982

1/25
B.P.
2/2/82

MR VEREKER

cc Mr Whitmore
Mr Walters
Mr Hoskyns
Mr Scholar

BR

1. Your minute of 28 January to Alan Walters suggested that the present BR dispute might provide the basis for a re-examination of BR's operations, leading to a substantial round of contraction. You also suggested that rumours of contraction might help to bring ASLEF to its senses.
2. You should see the attached correspondence about the forthcoming "Review of Rail Finance". The terms of reference appear to me to provide the right Chairman for this Review with an opportunity to recommend a major change in policy and perhaps in the statutory framework within which BR operates. If the Government knows the kind of recommendation it wants, then it should surely select a Chairman and Committee whose minds are at least open to considering radical options.
3. Depending on the radicalism of the Committee, it might be necessary to amend the terms of reference. I suppose the phrase "in the light of stated policies and statutory duties" could lead the Committee to take these as fixed, if they were so inclined.
4. Alan Walters' first thought for a suitable Chairman is Professor Christopher Foster. David Wolfson has suggested one name.
5. I do not know whether this Review has been publicly announced, whether the railway unions are aware of it, or whether the terms of reference have been or need to be negotiated with the unions. All these questions seem worth following up. I notice that Anthony Mayer's letter says that David Howell "sees the Review as a very important element both in the present disruptive rail scene, and in handling the aftermath". It is odd, therefore, that this subject has not cropped up in your meetings.

ANDREW DUGUID

CONFIDENTIAL



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

- ~~1. Mr. [unclear]~~
- 2. Mr. Wolfson

I do not know him. AW

Michael Scholar Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

Should make some notes with expressions. What is the case for going for a chairman with knowledge of Dept of Transport; or are you content for Mr Howell to approach Sir Gordon Hobday?

Prime Minister.

19 January 1982

11/5 20/1

Dear

Michael, transportation economics such as Sir James Hanson. Would you like me to pursue this with the Dept of Transport; or are you content for Mr Howell to approach Sir Gordon Hobday?

REVIEW OF RAIL FINANCE

As you know, we have for some time now been trying to find a suitable person to chair the proposed review of rail finance. Our approach to Sir David Steel, about which we were in touch before Christmas, did not work out: he was not available until Easter.

The proposed terms of reference for the review are as follows:

"The object is to review the finances of the railway and associated operations in the light of the policies stated by the Government towards the British Railways Board and the passenger service obligation imposed under the Railways Act 1974, and the Board's other statutory duties; the rising losses of the Board on its rail operations; the Board's concerns about the adequacy of expenditure on renewal of the assets of the railway; the Board's plans for improving business results; and to report its findings."

They have been agreed with my Secretary of State, the Chancellor and the Chief Secretary.

My Secretary of State now has it in mind to approach Sir Gordon Hobday, Chancellor of Nottingham University and until recently Chairman of Boots, to see if he could take on a review on this basis. Mr Howell thinks that Sir Gordon is a very attractive proposition. He has extensive business experience and is sufficiently independent for any recommendations which he might make to carry full conviction. The Chancellor of the Exchequer would be content for Sir Gordon to be asked to take this on; and Sir Robert Armstrong has confirmed that he would have no objection.

CONFIDENTIAL

CONFIDENTIAL

My Secretary of State would be grateful to know if the Prime Minister is content for Sir Gordon to be approached on this basis. If she is, my Secretary of State will be in touch with him at once. He is anxious that the Review should if possible be completed by the late Spring, so that Ministers can reach conclusions on the results when they are also considering the corporate reviews of other nationalised industries. He sees the review as a very important element both in the present disrupted rail scene, and in handling the aftermath.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Industry and to Sir Robert Armstrong.

Yours,

Anthony Mayer

R A J MAYER
Private Secretary

CONFIDENTIAL



10 DOWNING STREET

From the Principal Private Secretary

29 January 1982

Dear Anthony,

REVIEW OF RAIL FINANCE

The Prime Minister has seen your letter of 19 January 1982 to Michael Scholar in which you convey your Secretary of State's recommendation that he should approach Sir Gordon Hobday to see whether he is prepared to take on the review of rail finance.

She has asked whether it would not be preferable to appoint someone with transport experience to take on the review. With this in mind, she would like to know who runs the most successful railway system on the continent: she wonders whether it would make sense to ask him for advice on British Rail's finances.

I am sending copies of this letter to John Kerr (Treasury), Jonathan Spencer (Department of Industry) and David Wright (Cabinet Office).

Yours ever,

Anne Whitmore.

Anthony Mayer Esq.,
Department of Transport.

CONFIDENTIAL

CONFIDENTIAL

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d/i
cc

10 DOWNING STREET

From the Principal Private Secretary

29 January 1982

Dear Anthony,

REVIEW OF RAIL FINANCE

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S/F/

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I am sending copies of this letter to John Kerr (Treasury), Jonathan Spencer (Department of Industry) and David Wright (Cabinet Office).

Yours ever,

Steve Whitman.

Anthony Mayer Esq.,
Department of Transport.

CONFIDENTIAL



HOUSE OF COMMONS
LONDON SW1A 0AA

MAP

22

29/1/82

Dear Prime Minister,

You will, I am sure, recall my recent correspondence, in which I complained about the deplorable state of British Rail and strongly urged upon you the necessity for an immediate change of management.

Events in the meantime have added considerable point, were it indeed necessary, to the plea I then made. A.S.L.K.F. have no moral case whatsoever, but they are able to put forward specious arguments, and provide an excuse for Michael Foot and Len Murray to support them, because of the incredibly inept way in which the agreements of last August were drawn up. Whether by accident or design, these were so "fudged" that the door was left wide open for an operator like Ray Backton to make unscrupulous use of the resulting lack of clarity. For this appalling state of affairs, which savours strongly of running away from trouble last August and putting off the evil day, the Chairman

(2)



HOUSE OF COMMONS
LONDON SW1A 0AA

of British Rail must accept full responsibility.

We have also been treated to the most disturbing revelations of blatant dishonesty on the part of many employees of British Rail. It is not seriously disputed that these "rackets", which must cost taxpayers many millions every year, have existed for a long time. Can it then seriously be suggested that British Rail management, including the Chairman, were unaware of them? If they were aware of them and just turned a Nelson's eye in their direction, then their behaviour was deplorable. If (which one can scarcely believe) they were not, then one can only say that they failed in the most flagrant way to do their job. What, after all, is the point of having a highly paid management if they do not seek out, and stamp on, abuses of this kind? Here again the Chairman must accept responsibility for what has gone so badly

3



HOUSE OF COMMONS
LONDON SW1A 0AA

wrong.

I reflect the views of very many constituents who have been moved to write to me about these matters when I say that the public demand the most drastic action with regard to the management of British Rail, and demand it urgently. It will indeed argue ill for the Government if it ignores the public will in this respect.

Yours sincerely,

Geraint Morgan

Rt. Hon. Mrs. Margaret Thatcher, M.P.

CONFIDENTIAL

transport

CC(82) 3rd

28/1/82

Item 4

INDUSTRIAL
AFFAIRS

British Rail

Previous
Reference:
CC(82) 2nd
Conclusions,
Minute 4

4. THE SECRETARY OF STATE FOR TRANSPORT said that the Amalgamated Society of Locomotive Engineers and Firemen (ASLEF) had announced a further round of strikes on 3, 4 and 7 February. The British Railways Board (BRB) had decided not to pay other railmen for whom there was no work on Sunday 31 January and any subsequent Sundays. They were considering whether to stop overtime payments on other days, but had not taken a final decision. There was no immediate prospect of escalation either by ASLEF or the BRB. For the time being it seemed best to allow the pressures to build up on ASLEF. Press reports about malpractices by footplatemen had angered ASLEF members at first, but might now be affecting the morale of the rank and file; and they would also shortly be feeling for the first time the effects of the loss of pay resulting from strike action. The majority of the ASLEF leadership were, however, militants with little regard for the damage being done to the future of the railways. The effects on coal stocks and the economy generally were being carefully monitored. Morale among rail commuters remained high. If the industrial action continued beyond a further two weeks, it might be necessary to consider whether there was any initiative which might resolve the dispute. Meanwhile there should be no suggestion that the Government was likely to intervene, and the handling should be left to the BRB.

The Cabinet -

1. Took note.

CONFIDENTIAL

2

cc: Mr. Hoskyns
Mr. Duguid
Mr. Ingham
Mr. Walters

Prime Minister

Background for Cabinet tomorrow. X is a

good point, but I am doubtful about Y.

ASLEF Dispute

Mus 27/1

MR. SCHOLAR

We had a word about Mr. Howell's note to the Prime Minister of 26 January, which attaches various options for the way forward on the British Rail dispute with ASLEF, and you asked me to let you have a note with our own ideas. I have now been able to discuss this with John Hoskyns and Alan Walters, as well as with officials in the Departments of Transport and Employment, the CPRS and the CCU; and the effect of the dispute on coal deliveries were discussed in MISC 57 this afternoon. Observers of the dispute are unanimous in not expecting any early resolution.

We think there are two questions which arise from Mr. Howell's note, and which Cabinet may want to address tomorrow:

- i) Do we mind if the dispute carries on for a few more weeks? Mr. Howell says that we are in a strong position, that the mood of the commuters is to fight on, but that because of costs to BR and the erosion of coal stocks we cannot sustain our position for many weeks. Broadly, we agree. We think the main constraints on our endurance are these:
 - a) BR's losses. If the dispute lasts for another four weeks, BR's losses will accumulate to about 10% of the EFL, which is very substantial but not absolutely disastrous.
 - b) Coal endurance. We are losing coal endurance next autumn, at the rate of about 1 week's endurance for every 2 weeks of the ASLEF dispute; but we think it would be wrong to give in on the present dispute for the sake of some hypothetical advantage in a future one. However, if the dispute lasts another four weeks, our endurance this Spring will become very short; it may be necessary to go over to maximum oil burn quite soon, and Mr. Lawson will be putting a paper round on that, for discussion at the meeting of Ministers already arranged for 4 February.

/ c)

CONFIDENTIAL

c) The effect on industry. The CCU's preliminary assessment - which should be available in writing shortly - is that, on the basis of reports from officials, there are no risks to life or essential services developing as a result of the dispute. The main industrial problem appears to be in the steel industry, but we suspect that sufficient steel can in fact be moved when the railways are working normally, or by road (I have asked the CPRS to investigate this discreetly). The Treasury have called a meeting for tomorrow, which I shall attend, to assess all the costs of the dispute.

ii) Ought the Government to be encouraging BR to adopt different tactics?

We think that some of Mr. Howell's options are not really options at all, since they involve one side or the other simply giving in. It does seem as if the best hope for an end to the dispute still remains in the hands of ACAS, at the point at which ASLEF decide they have to give some ground - which is clearly not yet. Douglas Smith thinks that ASLEF are firmly dug in, because the members are solidly supporting their executive.

But we think that BR should be encouraged to think constructively about two possible new approaches, which might turn out to be appropriate as the dispute develops:

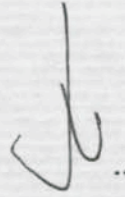
i) First, the possibility - which is scarcely mentioned in Mr. Howell's note - of some escalation, by their warning NUR staff that the point will eventually come at which they cannot afford to pay them when the railways are not running, which might be followed by a restriction of work to the minimum required by the guaranteed 40 hour working week. This should help to build up pressure on ASLEF to negotiate properly.

/ ii)

CONFIDENTIAL

- 3 -

Y | ii) Second, we do not think we should rule out the possibility of a Government inquiry, again at the point at which ASLEF were prepared to negotiate but not to surrender totally; this could quite usefully be built upon the very considerable public disquiet now being expressed as a result of the recent revelations about working practices on the railways.



John Vereker

27 January 1982

CONFIDENTIAL



01- 233 7388

CABINET OFFICE
70 WHITEHALL
LONDON SW1A 2AS

ASLEF

27 January 1982

Dear John

I understand that the Secretary of State for Transport will be making an oral report at Cabinet tomorrow about the current ASLEF industrial action.

Although there should be no need for the Home Secretary to raise any points he will wish to know that Departments have been asked, by the CCU Secretariat, to report if the ASLEF action is causing, or might cause, problems likely to affect the supplies and services essential to the life of the community.

Departmental reports, all received during the period 26 and 27 January, show no areas where CCU action is at present necessary. A point made by many Departments is that should ASLEF action continue for a long period - or be stepped up, problems could become more serious. A close watch will need to be maintained on the problems specifically mentioned and on others should they arise. Arrangements are in hand to achieve this.

Briefly the problem areas mentioned, all assessed as minor at the moment, are:

- reduction in steel production at British Steel's Teeside plant - because finished steel cannot be moved out fast enough to provide storage space.
- coal and coke exports down 50% on normal levels.
- difficulties over heavy fuel oil deliveries to the Midlands - which are mainly by rail.
- diminution of coal stocks at power stations as demand exceeds supply.
- difficulties with delivery of raw material to two British Steel plants in Scotland - which it is hoped may be overcome, plus delays in movement of paper, whisky and containers - also in Scotland.
- coal supplies in Northern Ireland (all coal is imported). Power station and domestic stocks currently range between 3-5 weeks.
- house coal in South Wales is becoming scarce - this type of coal being imported from England. Should it run out the poor will suffer most.
- Gatwick Airport has 8 days' fuel stocks at normal usage rates and stocks are being maintained by alternatives to the normal rail method of delivery.

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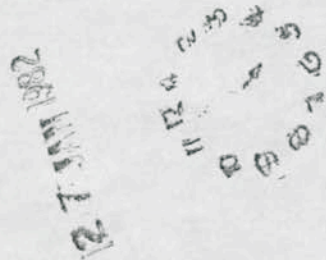
Problems in getting staff to their normal places of work are causing inconvenience rather than serious interruption to departmental business. There will be a cumulative effect on the less important day to day tasks of Departments.

I am copying this note to the Private Offices of the Prime Minister, Chancellor of the Exchequer, Secretaries of State for Northern Ireland, Defence, Environment, Scotland, Wales, Industry, Transport, Social Services, Energy, Employment, the Minister of Agriculture, Fisheries and Food and the Secretary of the Cabinet.

Yours sincerely

Tom Budd

BRIGADIER J A J BUDD



J E Fields Esq
Assistant Private Secretary to the
Home Secretary
Home Office
Queen Anne's Gate
London
SW1

CONFIDENTIAL

CONFIDENTIAL

~~CC 30~~
M.A.

PRIME MINISTER

ASLEF DISPUTE

Before the weekend, British Rail made a major concession at ACAS. They agreed to accept arbitration, provided it was binding, to a quick timetable, and with terms of reference to secure decisions that could be applied forthwith; and for that they would commit payment of the three per cent on a date after the completion of the arbitration timetable. But ASLEF refused to accept binding arbitration.

ACAS have been continuing their efforts to see whether some non-binding arbitration or inquiry would be useful, but I have just heard that they have now given up the attempt. British Rail, though unenthusiastic, would have been prepared to co-operate if an inquiry had been set up, though they made it clear that this could not be regarded as a reason for paying the disputed three per cent. But ASLEF were wholly opposed to the idea, and insisted that payment of the three per cent was the only issue, and that productivity questions could only be considered through the normal negotiating machinery of the railway industry. In the circumstances ACAS are answering press inquiries on the basis that they would only consider setting up an inquiry if they were satisfied that it was timely and likely to be fruitful, and that after canvassing all the parties they had concluded that for the present this is a step they should not take.

CONFIDENTIAL

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For the present we are in a strong position, and this news should not affect it. ASLEF have no support of substance from other unions, and no public support whatever. The incidents of the article in the Sun newspapers and the blacking of the Murdoch group of newspapers at Kings Cross, put them further in the wrong. As I judge, from my talks with our supporters on the Back Benches, and from everything in the media, the mood of the commuter is to fight on, provided he is not let down in the end.

Whilst however I shall continue to develop new initiatives to keep public opinion on our side, we cannot count on our present strong position being sustained for many weeks. The costs of the dispute to the Railway Board are high and are mounting, and we cannot indefinitely afford erosion of coal stocks at the power stations. But the pressures on ASLEF must also be strong, and we must do our best to allow them time to operate.

I annex a note on possible courses. At this stage, we cannot identify the path to a satisfactory solution. We must certainly try to the full the effect of the pressures on ASLEF. It may be that one possibility for getting them back to work, once they have shown signs of moving at all, is to put the present disputed issues to one side and have a comprehensive negotiation covering all aspects of manning and productivity on the footplate, so as to lead to a new contract for train drivers. The Railways Board is doing some further thinking on possible ideas of this kind. We might in due course find this useful.

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I am sending copies of this minute to the Home Secretary, the Chancellor of the Exchequer, and the Secretaries of State for Defence, Energy and Employment; and to Sir Robert Armstrong.

DH.

DAVID HOWELL
26 January 1982

CONFIDENTIAL

1. PRESS BRITISH RAIL TO GIVE IN

British Rail would be urged to pay the three per cent and introduce the 39-hour week for footplate staff, while pursuing productivity proposals through the ordinary negotiating machinery. This would destroy management's credibility, and rule out any prospect of securing any significant productivity progress from ASLEF for a long time. It would be seen by the other railway unions and by the commuters as a clear surrender and destroy any support from them for a strong management line by BR in the future. In the short-run it is much the cheapest course, since the continuing losses of £3-4m per day of strike would be avoided.

2. SEEK BINDING ARBITRATION ON THE DISPUTE

The Board have agreed to quick, binding, and specific arbitration, with a commitment to pay the three per cent; but ASLEF have rejected this.

3. NON-BINDING ARBITRATION, OR COMMITTEE OF INQUIRY, SET UP BY ACAS

This would effectively be another non-binding arbitration by Lord McCarthy. ACAS is actively pursuing this idea, and is entitled to proceed independently. With no sign of movement on ASLEF's part, the prospects of successful resolution of the dispute by this means must be slim. But BR would not agree to pay the three per cent before the dispute is resolved, and ASLEF might refuse to co-operate in any inquiry until the three per cent is paid. Some initiative of this kind might work, when there is some readiness to move on ASLEF's part.

4. GOVERNMENT COURT OF INQUIRY

This also would be non-binding, and would have no better prospect of success than an ACAS inquiry. It would involve the Government directly in seeking a resolution of the dispute, and would establish a precedent that might be very awkward in the future.

5. LEAVE THE BOARD AND THE UNION TO CONTINUE THE DISPUTE AS NOW ASLEF seem unlikely to escalate the dispute. The Board will consult Ministers before any moves to do so. The cost would continue at a rate of £10-11M a week. Some traffic will be permanently lost to the railway. For each week of disruption at the present level, the endurance level of coal stocks at power stations will reduce by half a week. The assumption of this course is that private pressures from other unions, and the cost in wages lost to their members, will induce a change of position by ASLEF.

6. TRY TO SECURE A CHANGE OF GROUND

It may, ^kas the right time, be possible to secure a return to work, with the present issues put on one side, for example if the Board were to propose negotiation of a new and wider package of measures to secure improved productivity and demanning in footplate grades. Ideas of this kind are being explored. To succeed, the initiative must come when ASLEF are ready to accept that they have not won/ and will not win, even if they still will not concede on variable rostering.

CF

pa Transport



Wh
21/1

10 DOWNING STREET

~~John Vereker~~

Here is a circular letter from
Ray Buckton setting out ASLEF's
view of the rail dispute.

I do not think it requires a
reply.

Do you think it is worth showing
to the pm?

If so, would you like to
comment?

→ W.R.

Wh
26/1

I wouldn't bother the PM with
it: R. Buckton could
scarcely expect her to have
read a circular letter, & it
adds nothing to what we know.



ASSOCIATED SOCIETY OF LOCOMOTIVE ENGINEERS & FIREMEN

9 Arkwright Road Hampstead London NW3 6AB

Telephone: 01-435 6300/2160 01-794 7220

Telegrams: "ASLOCOBROM LONDON NW3"

From:-
RAY BUCKTON *General Secretary*

RWB/VCC/LR

23 January 1982

MRS. M. THATCHER MP

Dear Member,

INDUSTRIAL DISPUTE - BRITISH RAIL

In light of the very many misleading reports that have been circulated, there is a need to set out the reasons why the Executive Committee of this Society, acting in accordance with the wishes of the Society's membership, instituted industrial action.

The 1981 round of pay negotiations were due to be completed in order that agreed rates of pay for British Rail staff could be introduced from April, 1981. The offer made by the British Railways Board to the railway trade unions was totally unacceptable and following a breakdown of negotiations at the Railway Staff National Council, the unions remitted their claims for adjudication by the three independent members of the industry's arbitration body, the Railway Staff National Tribunal.

In its award, the Railway Staff National Tribunal recommended that the rates of pay of railwaymen should be increased by 8 per cent from 20 April, 1981 with a further increase of 3 per cent to be paid from 3 August, last year. The three unions accepted the unanimous decision of the arbitrators but the Railways Board stated that it was not prepared to introduce the recommended rates. In the discussions that followed within the Railway Machinery of Negotiation, the Board was adamant that it would not introduce the rates of pay recommended. The National Union of Railwaymen and ASLEF then took a decision to institute industrial action but following intervention by ACAS and prolonged discussions, two distinct understandings were reached which were then made into separate agreements and recorded as Minutes Nos. 847 and 848 of the Railway Staff National Council.

The agreement on pay was separate and unconditional, providing for an 8 per cent increase from 20 April 1981, with a further increase of 3 per cent from 3 August of that year. A separate agreement made provision for discussions to be resumed on productivity issues at the lower level of the Railway Machinery of Negotiation.

In order to assist the British Railways Board overcome a short term cash flow problem, the unions agreed that the Board need not enter the 3 per cent into the pay packets until January 1982 though it would then be retrospective until August, 1981. Such an arrangement would enable the Railways Board to meet its financial obligations in the next financial year.

The fact that there was a clear commitment by the Railways Board, and this was accepted by railway management when the agreement was concluded, is confirmed by a circular issued from the Board's Headquarters to lower levels of management setting out how the new rates of pay should be implemented.

In accordance with the separate agreement on productivity, discussions took place at the Locomotive Section of the Railway Staff Joint Council but shortly before Christmas, the Railways Board unilaterally decided that there had been insufficient progress and therefore it would not pay the 3 per cent as unconditionally provided for in a ratified agreement. The action of the Board immediately brought into question, the validity of the industry's negotiating procedures which have, in the past been cited as an exemplary model.

ASLEF along with its colleagues in the other railway unions have, from the outset of negotiation followed to the letter, the written procedures as set down in the Railway Machinery. The Board however, was now not only insisting that it had the right to unilaterally terminate a ratified agreement but declaring that it would not discuss with ASLEF productivity matters at a higher level of the Machinery of Negotiation.

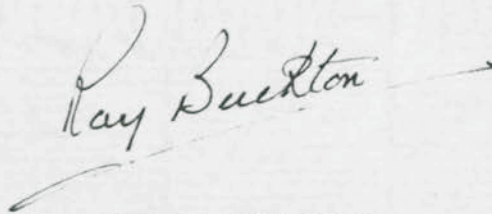
The accusations made by the Railways Board that ASLEF had not met its obligations under a separate agreement to discuss productivity and that the Board was unaware of this Society's views on the guaranteed week are totally false.

The Director, Personnel, British Railways Board, was informed by telephone during the latter part of August of the decision taken by ASLEF's Executive Committee relating to the retention of the guaranteed eight-hour day. That position was then recorded in an agreed minute of the Locomotive Section of the Railway Staff Joint Council, dated 2 September 1981, with the following being set down:-

"The ASLEF representatives indicated that the principle of retaining the 8 hour guaranteed day was a fundamental one so far as their Society was concerned. If, as part of a variable roster a man was booked for a 7 hour turn he should be guaranteed 8 hours payment."

ASLEF's position was reaffirmed on no less than five occasions at meetings of the Railway Staff Joint Council and the Railway Staff National Council. The Railways Board has the same right as that exercised by this Society when we were in negotiations with the Board in the 1981 pay round to take the issues to the next stage of the Railway Machinery and to refer them if necessary to the industry's independent arbitration body. So the Railways Board, in addition to taking a unilateral decision to set aside a recorded agreement, is steadfastly refusing to use the industry's agreed procedures. The Society's Executive Committee was, therefore, left with no credible alternative other than to institute industrial action.

Yours sincerely,

A handwritten signature in cursive script that reads "Ray Buckton". The signature is written in dark ink and is positioned above the typed name. There is a long horizontal flourish extending to the right from the end of the signature.

GENERAL SECRETARY.

CONFIDENTIAL

Transport

MR HOSKYNS

cc Mr Duguid
Mr Scholar

ASLEF Dispute

I think you should see the attached note from David Howell, which preceded his report to Cabinet yesterday about the prospects for a resolution of the ASLEF dispute. I have been reflecting on it, and have discussed prospects at different levels with the Department of Transport, and you may find it helpful if I set out what seems to be the only way forward - which is not a particularly attractive one.

In his penultimate paragraph, Mr. Howell says that we are not yet in a position to head off a long dispute; and that at some stage some third party intervention may be essential.

I understand that Peter Parker believes that the dispute must continue for at least another two weeks before ASLEF will be ready to participate in a negotiation for a settlement. Peter Parker presumably reckons that time is on the Board's side. It is certainly true that financial pressures on ASLEF members will build up: I am advised that they do not qualify for tax rebates, since they are still earning at least four days a week, and that they are at present losing £20 per day of strike (an average of £50 a week, since they do not normally work every Sunday). As long as commuter morale holds up - i.e. political pressures on the Government for a settlement are sustainable - BR's judgment is probably right. The down-side risk seems to me to be the possibility of concurrent trouble, either from ^{NUR or} LT, but that risk is not yet substantial. We are of course losing coal endurance, for which we shall pay next November, but I think that loss is not so much as to warrant our not making the maximum effort to get BR on a more productive and efficient path.

/If, then,

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If, then, we can last for another fortnight, and ASLEF is then prepared to talk seriously, the issue becomes what mechanisms should be used for the negotiations. Transport officials and BR seem to be agreed that the mechanism must be an agreement between BR and ASLEF to accept binding arbitration (ASLEF's position at present, of course, is that they will not accept that any arbitration should be binding, and that BR must pay up first). The mechanism for bringing about binding arbitration would be ACAS, and they would almost certainly want to use Lord McCarthy. Transport admit that, although there are examples of McCarthy having come down on the Board's side, he has tended to split the difference in favour of ASLEF on the main issues; and, of course, it is difficult to see how he could admit that there were any flaws in the settlement he brought about last August. The way round this may be through careful drafting of the terms of reference for the arbitration, making it clear that one side of the issue is the 3 per cent, but that the other side of the issue is not whether but when and how to introduce flexibility rostering. That, I suspect, will be the diet upon which ACAS conciliators will have to feed in the small hours of the morning.

There is some fantastic publicity for BR's case in needing to reform their manning procedures in the centre pages of today's Sun; but I am advised by Transport that they are not at all sure the stories by these two young train drivers will stand up, and that ^{may} they have criminal records.

J. M. M. VEREKER

22 January 1982

CONFIDENTIAL



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

22 January 1982

cc: FDP
JL
(2)

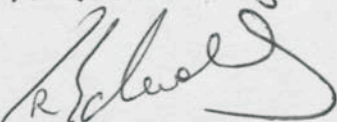
Prime Minister

Dear Private Secretary

MUS 22/1

My Secretary of State has approved these updated Notes for Guidance on the rail dispute. They should be associated with the Notes circulated last Friday.

I am sending copies of this and enclosures to the Private Secretary to the Prime Minister, the Private Secretaries to the other Members of Cabinet, the Private Secretary to the Chief Whip and Private Secretary to Sir Robert Armstrong.

Yours sincerely


C. R. EDWARDS
PS/Secretary of State

Keep for
Quinn

ASLEF DISPUTE

SUPPLEMENTARY GUIDANCE NOTES FOR MINISTERS

The Argument about the Commitment to Variable Rostering

The dispute is about the future of the railway industry. The Government wants to see an efficient, cost-effective, well invested railway. The British Railways Board want to carry forward their plans for that. NUR and TSSA have made agreements for changes in working practices. The driver in his cab must also be anxious that the railways will flourish and provide good jobs with a good future. The rail user, particularly the commuter, wants to see a modern, efficient railway system providing comfortable services he can afford. Against all this are those determined to cling on to practices agreed in 1919 in the age of steam trains running over a different network.

No useful purpose is served by the argument about who said what to whom and when. The Railways Board are in no doubt that their commitment to pay the extra 3% was made because the Unions (ASLEF included) committed themselves to negotiate specific productivity changes on a clear timetable. ASLEF then negotiated on the issue until 30 November before finally saying they were not prepared to accept any relinquishment of the 8 hour day. They negotiated because there was a commitment to do so in the August agreement.

How could the Board run a modern railway on 1919 agreements? How could they keep fares down if they have to pay something for nothing?

International Comparisons

Keep for
Quinn

The Board published a study early in 1980, jointly with Leeds University, called the "Comparative Study of European Rail Performance". The Report said "BR requires more than twice as many train crew to run a freight train as the most efficient railways" and "The potential for improving BR freight train crew productivity ... is perhaps the clearest conclusion to emerge from the entire study".

It also said

- that BR staff have to attend for work 20-30% longer hours than their European counterparts. There appears to be scope for more flexible rostering arrangements;
- that electrification improves productivity. Maintenance of diesel traction requires two to three times as many staff as the corresponding electric services;
- that BR covers a higher proportion of its costs from its traffic receipts than any other railway undertaking except Sweden.

The following table compares BR with other European railways:

		Traffic Units (Passenger miles + tonne miles) per employee (thousands)
BRB		182 -
OB	Austria	162
SNCB	Belgium	168
SNCF	France	310 7
DB	West Germany	196 7
FS	Italy	167
NS	Netherlands	282 7
CFF	Switzerland	261 7
JNR	Japan	377 7

Working Productivity

The average daily mileage worked by drivers on all trains is between 50 and 60. The figure for freight trains is about 30 and for passenger trains about 80. These figures include empty and loaded trains; it is estimated by BR that at least 10% of all train mileage is movement of empty stock.

NUR Guards

The unofficial action by some NUR guards in support of the ASLEF drivers' stand against flexible rostering is to be condemned. It was not as serious as at one time threatened; but it provided an opportunity for the General Secretary of the NUR (Mr Weighell) to confirm, if confirmation was needed, his union's strong support for the agreements for changes in working practices to which they are committed.

Productivity Plans

A number of jobs (38,000) will be lost on the railways under the Board's Corporate Plan up to 1985. The membership of each of the Unions will fall. The actual size of the ASLEF membership is in doubt. ASLEF claim it is 27,000 but BR and other estimates put it somewhat lower.

BR Policy on Ticket Refunds

Refunds will be made on unused full and reduced rate tickets. In the case of season tickets, refunds will be made at the appropriate rate, or where preferred, the validity of all except weekly seasons will be extended when they are renewed. BR tickets are not valid on LT in the event of industrial action. (They are valid in the event of 'natural disasters').

CONFIDENTIAL

From: ADAM RIDLEY
20 January 1982

Transport

E.22 BR

CHANCELLOR

cc Chief Secretary
Mrs Case
Mr Harris

Mr Scholar, No 10

MINISTERIAL COMMENT ON THE BR DISPUTE

You asked me to note the idea I mentioned to you this morning, which we understand the British Rail board (rightly) believe Ministers should consider stating in public in the near future. The idea would be to wave a bit of a stick in the air, not least in order to help increase NUR pressure on ASLEF, as well as to make it clear to public opinion just how irresponsible ASLEF are being with the whole future of the railway.

2. The message could simply be this. Some, indeed nearly all, of the railway labour force has responded sensibly and constructively to the recent negotiations about productivity improvements. Without them the railway will literally have no serious future. The case for further electrification - to which the Government has not yet been able to make any serious commitment beyond the Norwich/^{electrification} Ipswich/endorsement recently announced - falls immediately to the ground if there is not a dramatic improvement in productivity, for which the measures currently required by the British Rail board are a vital pre-condition. If ASLEF fail to deliver on productivity as they are committed to do, electrification and a clear and viable future for the railway will in all probability look very undesirable, and very big questions will be raised about the future of the railway when it comes to the imminent corporate review.

3. Your feeling was that, if it seems sensible that this message should be put over at this stage by Ministers, the ideal thing would be for the Prime Minister to do so at Question Time. However there are other possibilities which we noted. One would be your speech on Friday; another would be the Chief Secretary's speaking engagement this Saturday. You said that

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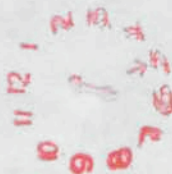
you would like the idea set out above to be conveyed to No 10, and consideration given to Treasury Minister taking it up in one or other of these speeches if No 10 should feel it was not suitable for their own purposes. Since Mr Harris reports that a rather muted thought on these lines had to be excised from your Scottish press release last week at Department of Transport insistence, it is obvious that the thought is one that they must press before it is used!

MR

ADAM RIDLEY

I am seeking a quite informed
word about this with Mr Scoble.
Before a more formal approach is
made to No 10, your office may need
to consult Mr Lye (not yet available
because of transport problems), who
in turn may have to speak to DTp.

20 JAN 1982



CONFIDENTIAL

CONFIDENTIAL

Transport
e JV
②
Prime Minister

MUS 20/1

Prime Minister

ASLEF DISPUTE

This week's intervention by ACAS, under pressure from Sid Weighell, may have been premature. At yesterday's talks, the Railways Board were ready to accept a quick and binding arbitration, with payment of the three per cent when the result had been accepted by the unions and applied, (the identity of the arbitrator remaining to be settled). This might have proved to offer an acceptable solution but all the union side had to offer was non-binding arbitration, after payment of the three per cent, and with TUC good offices to secure acceptance of the arbitration result. There can only be slim hope of further progress today, and we must prepare ourselves for further disruptions of rail services next week, at least on the present pattern.

The Board have very little room for manoeuvre, if they are to sustain - as we must wish - the very firm management position and pressure for necessary changes which they have built up. They must certainly limit to the very minimum whatever concession they eventually have to make to secure a settlement, and that can only be right when the ASLEF leadership has been moved away from its present intransigence. I therefore do not foresee an early conclusion. If ACAS have failed to secure progress this week, it would presumably be some time before they could usefully intervene again. The public position that Mr Len Murray has taken reduces any prospect that the TUC can do much either. There could be no point in the Railways Board going to the top level of their negotiating machinery (the Railways Staff National Council) when the ASLEF position is simply that any move away from the eight-hour day is non-negotiable. So the prospect is fairly bleak.

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The exact costs of the dispute to the Board are difficult to assess at this stage, since it will not be clear for some time how much revenue has been wholly lost. But they are of the order of £3-4m for each day lost. Against this, the individual ASLEF members are sacrificing some £20 a day net (the union does not pay strike pay). Sir Peter Parker will consult me fully before taking any steps to escalate the dispute, since that could only be sensible if the action they take is fully justified in business terms and is also likely to hasten the resolution of the dispute. But the Board may need on Sunday week, if ASLEF strike that day, to bring in only those NUR and TSSA members for whom there is genuine work and so to deprive the majority of their expected Sunday duty. For my part, I do not think it would be right at this juncture to consider suspending payment of grant to the Board, since that would be a step forcing them to escalate the dispute.

There is therefore a prospect, even if the miners' pay is settled, of a continuing erosion of the coal stock levels at power stations, to an extent that it might not be possible to recover fully during the summer. However, we obviously have to avoid letting this be seen as any sign of weakness. In my judgement, the more immediate source of concern to us must be the attitude of the London commuters; I shall be considering with the police further measures to ease traffic next week, and Kenneth Clarke and I will both continue to be active in showing that we are doing all we can to ease the commuters' problems. I regard this as the most sensitive point in our position.

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I am sure that we must continue to distance ourselves from the details of the dispute, which is one between the Board and the Union, and emphasise our positive policy towards the railways. Once a satisfactory settlement has been reached, we shall of course come under immediate and very strong pressure from all sides of the industry for further railway investment, and we shall have to deal with that at that time. Meanwhile I am making it clear to the Board that there is no slackening in the stipulations we have made and I am re-enforcing this by requiring them to re-consider the claim they have submitted for grant in 1982, which shows further unexplained rises in operating costs. The handling of these matters requires special care at this juncture, so as to not lend any colour to suggestions that we are forcing the Board in the present dispute.

In sum, this week's events show that the opportunity to head off a long dispute has not yet come. At some stage some third party intervention may be essential. But we believe the British Rail Board is right and we cannot therefore hope to make progress until ASLEF are convinced that their present refusal to move at all will not succeed. While the dispute lasts we must do everything we can to maintain the morale of commuters and keep coal losses to a minimum. And of course, ACAS will go on trying and we shall have to watch carefully here to ensure that their efforts do not put the Board at a disadvantage.

I will be ready to give Cabinet a brief report tomorrow on the latest position, and I will circulate an updated

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guidance note to colleagues. Meanwhile I am sending copies of this only to those Ministers who attended your meeting on 12 January, that is to say the Home Secretary, the Chancellor of the Exchequer, and the Secretaries of State for Defence, Energy and Employment; and to Sir Robert Armstrong.

JA
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DAVID HOWELL
20 January 1982

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British Railways Board

Grant Woodruff
Director of Public Affairs



19 January 1982

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MSP

Dear Member of Parliament,

You will, no doubt, have been following the current industrial dispute between the Board and A.S.L.E.F. I am only too aware of the confusion that this issue has raised.

I thought, in view of this, that you would welcome sight of the understandings signed by all parties on 20 August following meetings of the Railway Staff National Council held under the auspices of A.C.A.S. on 19 and 20 August 1981.

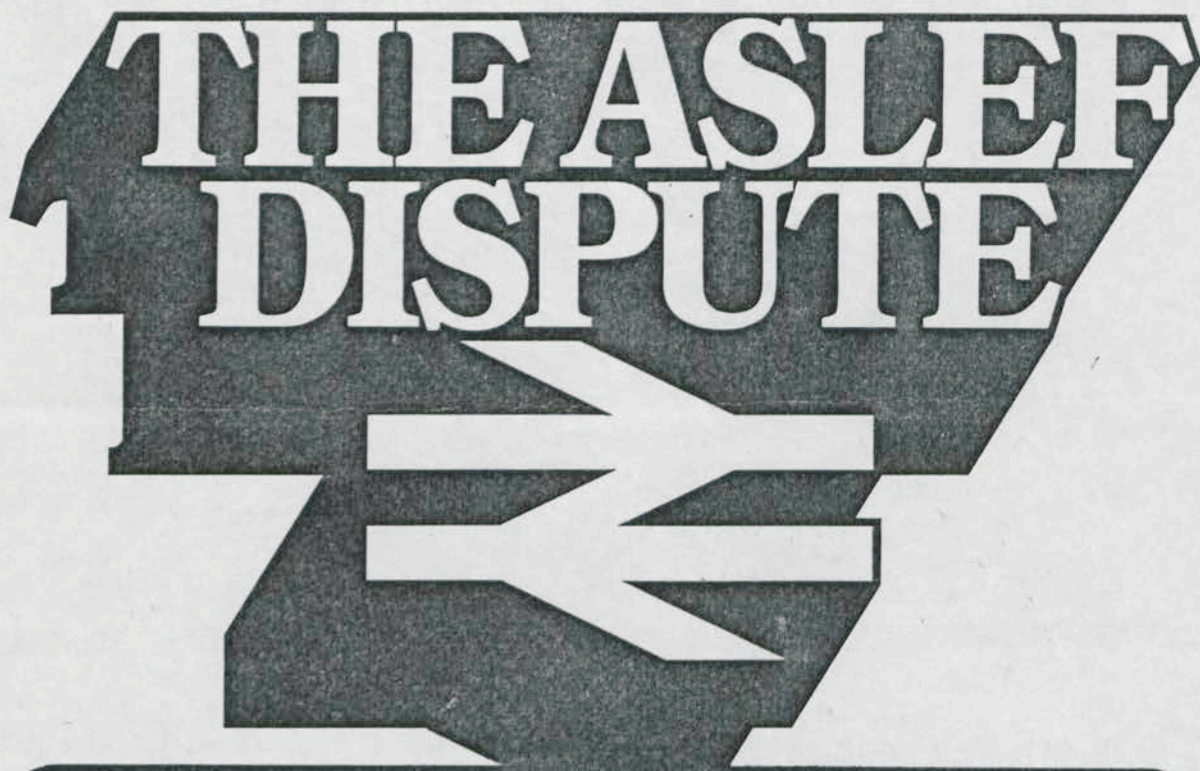
Also enclosed is a special issue of our Railtalk bulletin, published today, highlighting the key issues of the dispute.

Yours sincerely,

Grant Woodruff

J.G. Woodruff

THE ASLEF DISPUTE



Broken promises.

A lot has been said about the August 1981 pay agreement, but what about the productivity agreement which was made at the same time?

The understanding on flexible rostering which was accepted by all three rail unions, including ASLEF, was quite specific. It reads as follows:

"Negotiations shall take place to establish variations to the rostering agreements with a view to introducing some flexibility around the 8-hour day, but without producing unreasonable variation in the length of each working day or week. These discussions shall be concluded by 31 October 1981."

If words mean anything, they mean that the 8-hour day has to be modified and that some form of variable rostering must take place. Discussions on flexible rostering with all the unions took place throughout the autumn, until on 30 November 1981, the following minute of the appropriate negotiation

body revealed the ASLEF attitude:

"The ASLEF representatives noted the points put forward but re-affirmed that after very careful consideration, they were not prepared to accept any rostering arrangements which involved relinquishment of the 8-hour day agreement..."

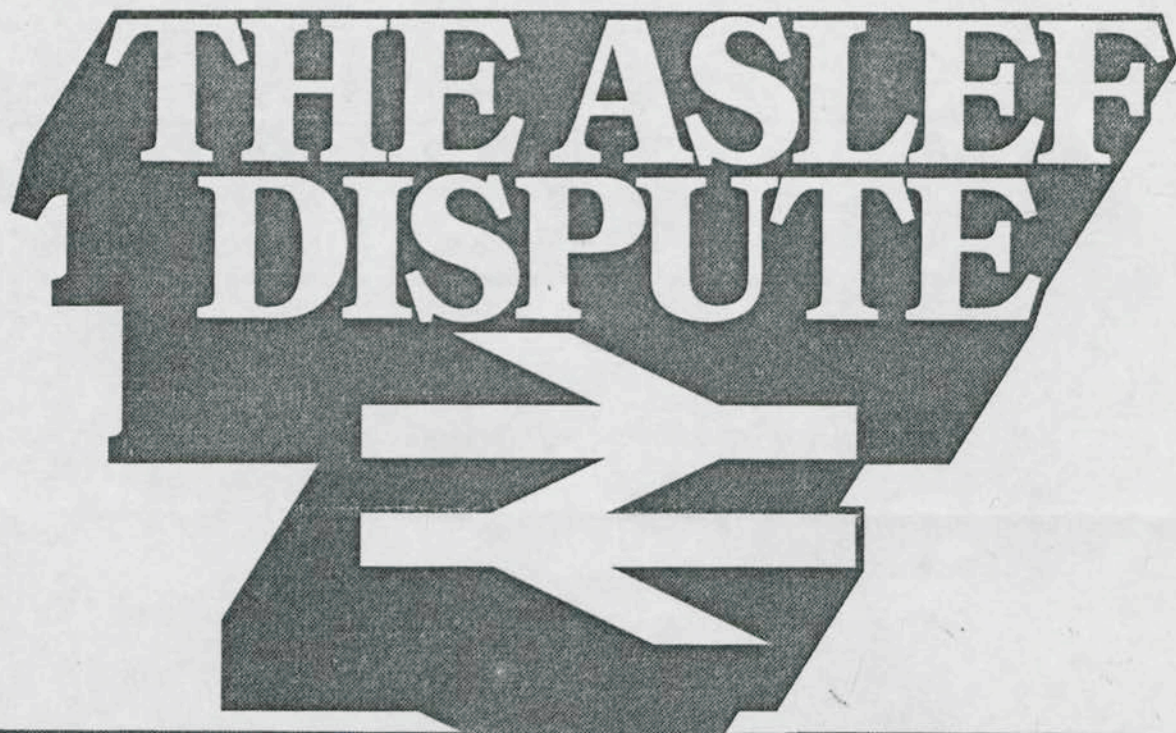
Since then, a 7-9 hour basis has been agreed with the National Union of Railwaymen. However, ASLEF remains obdurately opposed to any change and it is this which is the root cause of the present strikes.

There has been a lot of talk about the pay agreement, but as we have pointed out on innumerable occasions, pay and productivity are inextricably related as our discussions last August showed.

All that ASLEF has to do for its members to be entitled to the pay increase agreed on 20 August is to honour its own promise on productivity.

British Railways Board, Rail House, Euston Square, London NW1 2DZ.

THE ASLEF DISPUTE



An Appeal to all our Customers.

Whilst we deeply regret the hardship and inconvenience caused by the present strike action, we ask all our customers to support the stand we are taking to ensure that commitments to alter out-dated working practices are honoured.

'Flexible rostering,' which is the issue in the ASLEF dispute, is only one of the changes we need to modernise the railway. This programme of change was initiated in agreement with all our Unions in May 1980, and positive commitments on six specific initiatives were made in August last year.

The pay agreement we reached at that time was on the strict understanding that there would be progress in implementing these essential improvements in efficiency. In our present financial position it would have been irresponsible of us to have acted in any other way.

Like railways in all other major countries, British Rail is financially supported by the community as a whole. Directly or indirectly, everyone in Britain

is a customer of British Rail. And everyone contributes to our finances as a tax-payer. That contribution, as our critics often remind us, is now running at more than £2 million a day.

A lot of money.

Which surely means that we have a bounden duty to become as efficient and cost-effective as we reasonably can.

The changes in working practices which underlie the ASLEF dispute are essential to the modernisation of the railway. Modernisation, as we have often argued, needs more public money for investment. This will require a big change in public attitudes to the importance of railways in this country.

But, by our own efforts, we have to *justify* more investment and to *earn* a change in the public standing of the railways.

The point blank refusal of one section of our work force to make any headway on flexible rostering goes to the heart of the matter. ASLEF knew this in August. They understood the argument. And the arithmetic.

We hope you understand why we have to stand firm.



19 January 1982

ASLEF DISPUTE

Relationship between pay and productivity

The link between railway pay and productivity has always been spelled out by the British Railways Board, and has always been understood, if not always acknowledged, by the trade unions.

It is important to understand the reason for withholding now the second stage of the 1981/82 pay award (a 3% increase backdated to 3 August 1981). The BR Board clearly stated then - and it is recorded in a memorandum of a meeting on 20 August, 1981, attended by BR and union representatives, and Chaired by the Chairman of the Advisory, Conciliation and Arbitration Service - that the two-stage pay award was acceptable to BR "on the understanding that the Commitments on productivity would be honoured."

At this meeting, two "understandings" on productivity and pay were agreed. These were prepared and typed separately, but it is clear from the accompanying memorandum that they are related.

Flexible Rostering

Item (c) of the productivity understanding, concluded at ACAS last August, states as follows:

"Variable rostering hours within limits to be negotiated

Negotiations shall take place to establish variations to the rostering agreements with a view to introducing some flexibility around the 8-hour day, but without producing unreasonable variation in the length of each working day or week. These discussions shall be concluded by 31 October 1981."

BR's decision to withhold the 3% pay increase to ASLEF drivers stemmed from ASLEF's firm refusal, after 3 months of negotiations, to move away from the fixed 8-hour day - yet the productivity understanding quoted above made clear that the object of the negotiations was to establish the limits of flexible rostering, not the principle.

Timing of the strike

The pay and productivity understandings were accepted by BR in August not simply because they headed off, or deferred industrial action. BR much regrets that the action now taking place is compounding the problems caused by a severe winter, but it became clear only on 30 November, 1981, that ASLEF were not going to deliver their side of the bargain.

Payment for NUR Drivers

On the same day - 30 November - that ASLEF reaffirmed they were not prepared to relinquish the 8-hour day, BR again acknowledged the NUR proposals for variable rosters spanning 7 to 9 hours. In subsequent negotiations covering other staff (for example train guards) the NUR also accepted similar flexible rostering to replace the 8-hour day.

BR has agreed to pay the 3% to NUR drivers because the NUR have honoured their commitments to productivity and are prepared to negotiate flexible rosters. A firm agreement for drivers cannot be finalised, however, until ASLEF also agrees.

Informing the public

This special Railtalk has been designed to highlight the key issues in the present dispute, and the basis for BR's present policy.

To explain these issues to our customers and the wider public, BR is also placing advertisements in national newspapers. Copies of the most recent ones are attached.

ADVISORY, CONCILIATION AND ARBITRATION SERVICE

1. As a result of discussions held under the auspices of ACAS on 18/19/20 August 1981, the RSNC has reached an understanding on pay. Stemming from Paragraph 190 of RSNT Decision No 75 a separate understanding has been reached on productivity. Copies of these understandings are attached.
2. In the event of there being any problem regarding the application of either of the two understandings the RSNC may request the further assistance of ACAS.
3. The three unions (ASLEF, NUR and TSSA) will take immediate steps to recommend these understandings for ratification by their respective executives, following which the ASLEF and NUR will countermand their decisions to call out their members as from 31 August 1981.

Signed on behalf of:

British Rail Board

B. A. Rose

National Union of Railwaymen

Sidney Waghell

Associated Society of
Locomotive Engineers and
Firemen

Ray Buckton

20 August 1981

Transport Salaried Staffs'
Association

Tom Kirklin

MEMORANDUM OF DISCUSSION BY THE RAILWAY STAFF NATIONAL
COUNCIL UNDER THE AUSPICES OF THE ADVISORY, CONCILIATION,
AND ARBITRATION SERVICE HELD AT A.C.A.S. HEADQUARTERS
ON 20 AUGUST, 1981

PRESENT:-

Representing the Advisory, Conciliation, and Arbitration Service

J.P. Lowry (In the Chair)
D. Boyd
W. Wood

Representing the British Railways Board

C.A. Rose
J.G. Urquhart
R.H. Wilcox

In attendance: J. Crowe

Representing The National Union of Railwaymen

S. Weighell
T. Ham
J. Cogger
H. Kieft

In attendance: J. Parsons

Representing The Associated Society of Locomotive Engineers and
Firemen

R.W. Buckton
W. Ronksley

In Attendance: G. Stevens

Representing the Transport Salaried Staffs' Association

T.H. Jenkins
J. Mills

In Attendance: P. Wyatt
I. Byiers

J.P. WIDGERY
SECRETARY OF RAILWAY STAFF NATIONAL COUNCIL

UNDERSTANDING ON PAY

Under the Chairmanship of Mr. J.P. Lowry of the Advisory, Conciliation and Arbitration Service, which had offered to assist in settling the dispute that had arisen, the parties of the Railway Staff National Council came together in an effort to finally settle the differences that had arisen on the question of pay.

The Chairman explained the position which had been reached and indicated that the Trade Union representatives wished to give their response to the Board's new proposals direct to the Board's representatives.

The N.U.R. representatives, replying on behalf of the three Railway Unions present, said they had taken full account of what the Chairman had told them in their separate discussions with him and were making a counter-proposition on a basis which could be recommended to their respective Executive Committees. That proposition was :-

1. RSNT Decision 75 should stand.
2. The implementation of the Shorter Working Week be deferred until the beginning of January 1982.
3. The residual 3% be payable from the beginning of January 1982 but retrospectively to 3 August, 1981.

The Trade Unions had already given the Board six firm commitments on productivity with dates by which negotiations must be completed and, therefore, the Board had surely got what it was seeking on productivity. There were no further options left so far as the Unions were concerned. If that proposition was acceptable to the Board the Unions would endeavour to honour every aspect of the understandings reached on productivity and they would argue that with their Executive Committees.

The T.S.S.A. and A.S.L.E.&F. representatives said that they concurred with the foregoing statement.

The Railways representatives said that they had wished to stage the payment of the Award on London Allowance to pay half in July 1981 and the remainder in July 1982. Also they would have preferred to postpone implementation of the Shorter Working Week (39 and 37 hours) until the introduction of the May 1982 Timetable but they were not unmindful of the difficulties which faced the Trade Unions and would consider the matter further in an adjournment.

Following the adjournment, the Railway representatives indicated that they had decided to accept the counter-proposal which had been tabled on the understanding that the Commitments on productivity would be honoured. It was hoped that, in the circumstances, the Trade Unions would recommend acceptance to their Executive Committees and withdraw the threatened strike action as soon as possible. There would now be a very heavy workload to get through and it was hoped that this could now proceed in a calm and co-operative atmosphere. The efforts

of the Trade Union Representatives and, in particular, the Chairman of the Advisory, Conciliation and Arbitration Service and his colleagues in achieving the stage now reached was appreciated.

The Trade Union representatives said they would now take the proposal back to their respective Executive Committees with a recommendation to accept. They also wished to thank the Advisory, Conciliation and Arbitration Service for what it had done in this case.

The agreed understanding on pay is attached as an Appendix to this document.

UNDERSTANDING ON PAY

1. As a result of discussions held under the auspices of ACAS on 18/19/20 August the RSNC has agreed that the 1981 pay settlement should be on the following basis:

- (i) Rates of pay for all grades concerned shall be raised by 8% from 20 April 1981.
- (ii) A further increase of 3% on the rates prevailing on 19 April 1981 shall be paid to the same grades from 3 August 1981, the actual payment being made in the first pay period in January 1982.
- (iii) The minimum earnings level shall be raised by 15% from 20 April 1981.
- (iv) The principle of returning the London Allowance to the method of calculation proposed in Paragraph 191 (iv) of RSNC Decision 75 will be applied from 1 July 1981.

2. The introduction of the shorter working week provided for in Paragraph 9 of the 1980 Pay Agreement shall be deferred until 4 January 1982.

3. The constituent parties of the RSNC accept the comments set out in Paragraph 190 of RSNC Decision 75 regarding the continuation of negotiations on productivity issues and commit themselves to continue the progress that has already been made in the areas covered by Clauses 1(i), (ii), and (iii) of the 1980 Pay Agreement.

20 August 1981.

MEMORANDUM OF DISCUSSION BY THE RAILWAY STAFF NATIONAL
COUNCIL UNDER THE AUSPICES OF THE ADVISORY, CONCILIATION,
AND ARBITRATION SERVICE HELD AT A.C.A.S. HEADQUARTERS
ON 19 AUGUST, 1981

PRESENT:-

Representing the Advisory, Conciliation, and Arbitration Service

J.P. Lowry (In the Chair)
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R.W. Buckton
W. Ronksley

In Attendance: G. Stevens

Representing the Transport Salaried Staffs' Association

T.H. Jenkins
J. Mills

In Attendance: P. Wyatt
I. Byiers

J.P. WIDGERY
SECRETARY OF RAILWAY STAFF NATIONAL COUNCIL

UNDERSTANDING OF PRODUCTIVITY

The parties of the Railway Staff National Council were meeting under the Chairmanship of Mr. J.P. Lowry, Chairman of the Advisory, Conciliation and Arbitration Service which had offered assistance in an effort to settle the dispute that had arisen. Following approaches by the Conciliation Service to the parties separately, the representatives of the Railway Staff National Council had been called together in an endeavour to finalise an understanding upon the future progress of certain productivity items. A Draft document had been circulated to the parties and a summary of the discussions on each item is recorded as follows :-

(a) Open Station Concept

The item, as drafted, was acceptable to all parties.

(b) Manning of Passenger Trains

The N.U.R. representatives indicated that they had said in previous discussions they had had with the Board that they would link this question with the Open Station Concept.

The Railway representatives said whilst the N.U.R. view was understood they wanted an assurance that the question of manning passenger trains would be approached without any fixed ideas or limitations.

The N.U.R. representatives said they accepted the form of words that had been suggested "without any preconceived conditions".

The A.S.L.E.&.F. and T.S.S.A. representatives drew attention to the fact that these proposals may have an effect on the grades they represented and they would expect to be consulted in order that the aspects raised in the document could be examined.

The Railway representatives gave reassurance that consultation with all Trade Unions would take place as necessary.

The wording, as drafted, was acceptable to the parties.

(c) Variable rostering hours within limits to be negotiated

The Railway representatives said they would enter negotiations with an emphasis upon not producing unreasonable variations to rosters. However, it must be approached on the basis of getting away from the rigidity of the 8 hour day and as an example, they would be looking for an agreement on rostering, say, of 5 turns totalling 39 hours.

The N.U.R. representatives noted this and said they would also look at the matter in the context of what was reasonable.

The A.S.L.E.&.F. representatives also noted the point and explained that they would develop the points they had in mind in negotiations.

The wording as set out in the draft was accepted by the parties.

(d) Easement of conditions of single manning on traction units

The Railway representatives said that they understood that the Trade Unions wished to remove the word 'net' from the following statement - "there should be no net worsening of staff conditions". The Board would be happier if the word 'net' was retained. It was stressed that the objective was not to worsen conditions overall but they did not want to get into a situation that precluded the easing of conditions in specific agreements. They asked that each proposal be considered on its merits and not be ruled out of court without serious thought.

The A.S.L.E.&.F. representatives explained that the exclusion of the word 'net' was important so far as they were concerned. To include this would mean that their members would feel that one particular group of grades or one specific area, etc. could be "played off" against another. Some staff could finish up with better conditions at the expense of others. Even if the Board did not mean this, it would be open to misinterpretation by their members. If the Board wanted this aspect to be acceptable it was imperative that the wording did not contain the word 'net'.

The Railway representatives, again, said they were concerned that this should not preclude serious consideration being given to changing certain agreements associated with this question, e.g. the "rules" applicable to Physical Needs Breaks.

The A.S.L.E.&.F. representatives said that, on the basis of the word 'net' being deleted, they would give the Board a commitment to talk with Management about all aspects of single manning traction units and they undertook to properly consider each aspect on its merits and not pre-judge the issues prior to such proper consideration.

The N.U.R. representatives, in agreeing to what the Society's representatives had said, indicated that there should be no doubt that there would be a price to pay for changes in conditions and the Trade Unions would make a judgement on each issue in that context. However, they went along with what had been said by the A.S.L.E.&.F. representatives and undertook to look seriously at each matter.

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The Railway representatives said that, in the circumstances, they would not object to the exclusion of the word 'net' in the relevant sentence in the light of the fact that the Unions had given an undertaking that the various matters would be looked at openly.

(e) Manning of Freight Trains

Some discussion took place between the parties regarding placement of the words "if possible" in this statement. Concern was expressed by the Railway representatives that unless some care was given to this, the impression could be gained that the parties were not really serious about giving a positive indication of their intentions. In specifying two or three pilot schemes they were, in fact, looking for a substantial experiment and it was not satisfactory to have this loosely worded.

The A.S.L.E.&F. representatives, supported by the representatives of the N.U.R., said that they considered this agreement called for goodwill on the part of all the parties. The Unions were giving a commitment but it had to be qualified because they had to convince their own members whilst at the same time desiring to establish something solid for the future. It was considered that, in this context, a qualification in the wording along the lines suggested would, in fact, ease the problem for both sides. Agreement was eventually reached on the wording on the understanding that the Trade Unions, as a matter of good faith, would undertake the work towards the objectives contained in the statement.

(f) Trainmens Concept

The A.S.L.E.&F. representatives said the original wording had presented the Society with some problems. The Board would be aware of the reasons why they had not been able to "pick up" this matter before now but at Watford the N.U.R. had indicated a change of policy and there were also prospects of the N.U.R. and A.S.L.E.&F. resolving the problem of Trade Union membership which had been related to this issue. However, until their Executive Committee had given consideration to this issue it was not possible for them to commit the Society to the principle involved. They were, therefore, asking for some help in this matter on the basis that if the wording they had suggested, containing the words "if possible", was accepted, they would give an assurance that they would, in fact, agree to look seriously at this specific matter. It was again a question of "good faith". They also said that they considered the last sentence should read, "These negotiations should be concluded by 1 January, 1982...."

/Cont....

They drew attention to the fact that the Trade Unions themselves had suggested that Negotiations be entered into immediately on this matter despite the fact that the Society had still to clear the matter with their Executive Committee. This surely gave the Board the reassurances they were seeking in regard to the Unions' willingness to deal with the matter quickly and seriously.

The N.U.R. representatives said they thought the Board had got a great deal of commitment from the Unions in the wording now being suggested.

Some further discussion ensued after which revised wording was eventually agreed by all parties.

The document on understanding productivity as finally agreed is appended hereto.

UNDERSTANDING ON PRODUCTIVITY

1. The RSNC agrees that the discussions on productivity which took place at Watford on 15/16 July shall be resumed as quickly as possible within the appropriate sections of the RSJC and the results reported back to the RSNC.

2. When those discussions are resumed they shall take place on the basis of the following points agreed by the RSNC as a result of discussions held under the auspices of ACAS on 18/19 August.

a. Open station concept

The parties accept the application in principle of this concept and agree that it will be possible to negotiate a specific agreement to introduce it. Negotiations shall be concluded on a basis for agreement by 31 October 1981.

b. Manning of passenger trains

It is accepted that the introduction of the Bedford-St Pancras electrification service in May 1982 presents the industry with the opportunity of a fundamental rethink of the whole concept of manning trains where modern stock is introduced into intensive commuter areas.

Without any preconceived conditions on either side discussions shall take place on the prototype system for the Bedford-St Pancras service.

c. Variable rostering hours within limits to be negotiated

Negotiations shall take place to establish variations to the rostering agreements with a view to introducing some flexibility around the 8-hour day, but without producing unreasonable variation in the length of each working day or week. These discussions shall be concluded by 31 October 1981.

d. Easement of conditions of single manning on traction units

Negotiations shall take place on the proposals relating to single manning conditions, on the understanding that provisions will have to be made for appropriate safety measures and that there should be no worsening of staff conditions. These discussions shall be concluded by 31 October 1981.

e. Manning of freight trains

There shall be an immediate joint examination with a view to establishing to the satisfaction of the parties the circumstances in which some freight trains could be operated without guards. Two or three pilot schemes shall if possible be ready for introduction by 1 January 1982.

f. The trainman concept

Major obstacles between the unions which have prevented progress in this area in the past are being resolved. The ASLEF and NUR undertake to enter into immediate negotiations with the Board with a view if possible to concluding an agreement which would provide recruitment, training and promotion through the grade of trainman to driver or to other appropriate grades. The negotiations shall be concluded by 1 January 1982.

3. It is reaffirmed that specific rewards will be negotiated for those staff whose responsibilities are directly affected under these agreements.

20 August 1981

Transport

Mr. Buckton: We're accepting the invitation to go to ACAS and we shall be reiterating and reaffirming our very firm determination that the British Railways Board has got to honour that agreement that we reached insofar as wages are concerned, and they have got to do as ACAS told them in their understandings which was also ratified in the proper machinery of negotiation, they've got to deal with productivity through the machinery of negotiation.

Interviewer: Any softening of your position?

Mr. Buckton: None whatsoever. We are going to ACAS to tell ACAS and our other colleagues that Mr. Murray on behalf of the TUC said that should be done, we are standing very firmly by that decision and also one which was supported by Mr. Murray.

Interviewer: Has there been any pressure from the NUR and Mr. Sid Weighell?

Mr. Buckton: There's been no pressure whatsoever and NUR have told us very clearly last week they told us very clearly indeed that they are 100% behind us insofar as that policy of ours concerned and we are still standing there.

Interviewer: . . . bleeding to death the industry.

Mr. Buckton: I don't/^{know}what Mr. Weighell said at all, Mr. Weighell hasn't said that at all to me. I am saying what the National Union of Railwaymen told us when we was meeting with Mr. Murray and therefore we are absolutely working together with our colleagues at the National Union of Railwaymen, the British Railways Board are wrong.

Interviewer: Have you discussed increasing the strike action?

Mr. Buckton: No not at this stage in time. We shall be dealing with that.

Interviewer: It doesn't sound very optimistic, Mr. Buckton. Are you optimistic at all.

Mr. Buckton: I've no idea what is going to happen. Either we are right or we are wrong. ACAS knows we are right, the NUR knows we are right, the TSSA knows we are right. Mr. Murray who has been dealing with all the parties over this past fortnight knows we are right. What do we do?

Interviewer: You say ACAS knows you are right, how can you be sure that the independent arbitrations are on your side?

Mr. Buckton: Because as far as I am concerned, ACAS made it very clear to us in answer to a question when we were at ACAS in August that insofar as productivity was concerned the British Railways Board should use their normal machinery of negotiation.

Interviewer: If British Rail were willing to pay the 3% would you be agreeable to be bound by arbitration on the rostering issue?

Mr. Buckton: Why arbitration? Either they use the machinery or not. If they wish to go through to the Railways Staff National Tribunal that's their prerogative. We have not refused. We are saying "use the existing machinery".

Interviewer: At ACAS today will you be prepared to discuss the possibility of seven hour days and nine hour days or will you stick to that eight hour principle?

Mr. Buckton: That's not before us today. That's not before us. That's a matter for the machinery of negotiation agreed by ACAS.

* * * * *

Mr. Booth: No I don't think one side is more to blame than the other, I think that ASLEF and the NUR and British Rail are in considerable difficulties in trying to implement this agreement. I think the reason for the difficulty mainly lies with the Government who have refused to give the go ahead for the major capital investment that is required as an essential element of increasing productivity on British Rail and of holding down the external financing limit to a point where British Railways could not honour

an arbitration award. British Railways had to say to its unions "I'm sorry although you have been awarded this amount in arbitration we cannot pay it to you unless you will come across with the new working practices which will find more money out of your own and direct efforts.

Interviewer: But however much the Government may be responsible for the background who is to blame on the agreement? Who has reneged. Sir Peter Parker or Ray Buckton and his executive?

Mr. Booth: Well that's a delicate one to answer on the day when they are trying at ACAS to try and put together negotiations to resolve it but I've read very carefully the agreement reached under the ACAS Chairmanship about the understanding on productivity as well as the understanding on pay and what I find in that agreement is that a number of issues of productivity were raised - the open station, the manning of the passenger trains was a part of it, easement of conditions on single manning of traction units and so on. But only this one on variable rostering on which they have appeared to have broken down and there's nothing in that part of the agreement which commits either the NUR or ASLEF to the 7-9 rostering arrangement for footplate staff.

Interviewer: But Mr. Booth in view of the fact that you have said that this is not a clear cut agreement and that there is some merit on both sides even though the Government is at fault do you think the strike is justified in such a situation?

Mr. Booth: Well its the most unfortunate time to have a strike obviously. British Railways are in acute financial difficulty because largely of Government policy. It is a time when we have got problems arising from winter weather, at a time when they should be picking up a lot of business because of road difficulties and I am very unhappy to see a strike take place. That's why I would urge all the parties to these negotiations at ACAS today to find a way of getting it round a negotiating table which is acceptable to the industry as a whole.

Interviewer: Then does that mean you urge ASLEF to agree to negotiate on the flexible rostering?

Mr. Booth: I think that ASLEF certainly have got to explore all the ways in which they can reasonably, reasonably, and this is what they are committed to do anyway, move on rostering arrangements. But they have to do that with an eye not only to safety but a number of members stand on some of the technical aspects of this problem as well.

Interviewer: If you were Minister of Transport today Mr. Booth what would you do? Given the situation which has arisen?

Mr. Booth: Given the situation. Well I hope if I was Minister of Transport this situation would have not arisen. But if it had what I would do first of all would be to acknowledge that railway unions have co-operated enormously with the Board, I think Sir Peter Parker does this, in reducing the manpower requirement of British Rail by over 30,000 over the last five years. To say that the Government for its part would ' be prepared to look at the implications for the public service obligation and for the investment that is required in the industry to get the productivity up. Because you cannot get beyond a certain point with productivity without investment. Investment in electrification, electric signalling and so on.

Interviewer: Specifically, would you tell British Rail to pay the 3%, without getting the productivity agreement they want?

Mr. Booth: No I wouldn't do that at this stage in negotiations. Of course not. No I wouldn't expect any Minister to do that I would expect him to be talking to the Chairman of British Railways about this and not saying "look this is a matter for you to sort out within the EFL and the Capital Programme that I have set for you."

049

CONFIDENTIAL



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

~~1. Mr. [unclear]~~
2. Mr. Wolfson
~~1. Mr. [unclear]~~ no
I do not know him. AW

Michael Scholar Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

Should make someone with transport experience. Who is the most successful candidate? Do you know Sir G. Hobday?

19 January 1982

M/S 20/1

Prime Minister.

Dear

Michael, David Wolfson considered whether there was a case for going for a chairman with knowledge of transportation economics such as Sir James Hamson. Would you like me to pursue this idea with the Dept of Transport; or are you content for Mr Howell to approach Sir Gordon Hobday?

REVIEW OF RAIL FINANCE

M/S 26/82

As you know, we have for some time now been trying to find a suitable person to chair the proposed review of rail finance. Our approach to Sir David Steel, about which we were in touch before Christmas, did not work out: he was not available until Easter.

The proposed terms of reference for the review are as follows:

"The object is to review the finances of the railway and associated operations in the light of the policies stated by the Government towards the British Railways Board and the passenger service obligation imposed under the Railways Act 1974, and the Board's other statutory duties; the rising losses of the Board on its rail operations; the Board's concerns about the adequacy of expenditure on renewal of the assets of the railway; the Board's plans for improving business results; and to report its findings."

They have been agreed with my Secretary of State, the Chancellor and the Chief Secretary.

My Secretary of State now has it in mind to approach Sir Gordon Hobday, Chancellor of Nottingham University and until recently Chairman of Boots, to see if he could take on a review on this basis. Mr Howell thinks that Sir Gordon is a very attractive proposition. He has extensive business experience and is sufficiently independent for any recommendations which he might make to carry full conviction. The Chancellor of the Exchequer would be content for Sir Gordon to be asked to take this on; and Sir Robert Armstrong has confirmed that he would have no objection.

CONFIDENTIAL

CONFIDENTIAL

My Secretary of State would be grateful to know if the Prime Minister is content for Sir Gordon to be approached on this basis. If she is, my Secretary of State will be in touch with him at once. He is anxious that the Review should if possible be completed by the late Spring, so that Ministers can reach conclusions on the results when they are also considering the corporate reviews of other nationalised industries. He sees the review as a very important element both in the present disrupted rail scene, and in handling the aftermath.

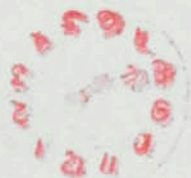
I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Industry and to Sir Robert Armstrong.

Yours,

Anthony Mayer

R A J MAYER
Private Secretary

CONFIDENTIAL



71 JAN 6 1982

COMMUNICATIONS SECTION

Trans

c ~~Mr. Scholar~~
~~Mr. Ingham~~
Mr. Buguid

MR. HOSEYNS

BRITISH RAIL DISPUTE

I have had some discussion of the British Rail pay dispute, in the Treasury pay monitoring group and, in the margins of another meeting, with Douglas Smith. The subject was also raised briefly at the Prime Minister's meeting this morning; I have no proposal for action, but you may wish to be brought up-to-date on the flavour of Whitehall's present reaction to events.

It seems to be generally agreed that there are no decisions for Ministers to take at present. The most likely decision with which they could be confronted would be whether to back Peter Parker if he decides to suspend ASLEF drivers, so provoking a substantial escalation and all-out strike. In such circumstances Ministers would have to weigh the chances of ASLEF's eventual caving in (pretty remote) against the damage to BSC (who are having to go on short time in some places because they cannot shift finished steel) and the NCB and commuters. If Peter Parker decides to go in the other direction, and seek an ACAS managed compromise, I doubt if Ministers would need to be involved. At present I see no case for Ministers to take any initiative to bring the dispute to an end through a compromise, if only because, if I understand it correctly, it is to a large extent the Government's decisions in the last year over BR finance and investment that has put them in a position where they simply have to make the proposed improvements in efficiency. It is believed in the Treasury that Peter Parker's principal concern is that the Government will go soft and "let him down". Douglas Smith believes that there is scope for a compromise settlement, because the complexities and technicalities are such that it would be fairly easy to disguise the extent to which either side had climbed down; but I very much doubt if a proposal aired in today's FT - under which BR would pay up, and ASLEF would commit themselves again to negotiation and arbitration - would appeal to Peter Parker.

/Michael Scholar

Michael Scholar has agreed to remind David Howell's Private Office of their obligation to provide some assessment of how they think the dispute will end.

J. M. W. VEREKER

18 January 1982

PRIME MINISTER

cc: Mr. Scholar
Mr. Vereker
Mr. Ingham

ASLEF DISPUTE

Mr. Howell's Office told us that, following Sid Weighell's intervention on return from his sick bed, there will be a meeting of all parties under ACAS auspices tomorrow morning.

The bad news is that this will almost certainly produce nothing. Mr. Weighell's initiative consists of nothing more than a request to ACAS to call such a meeting. Sir Peter Parker has told Mr. Howell that the BR Board are not about to make any movement, and there is no evidence that ASLEF are ready to make any movement.

Once the outcome of tomorrow morning's session is known, Mr. Howell will provide a new assessment of the situation. We will also get up-to-date briefing at lunch time for Questions purposes.

MA

mf

18 January 1982

CONFIDENTIAL

cc Mr. Scholar
Mr. Hoskyns
Mr. Ingham

MR. VEREKER

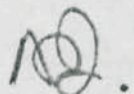
BR DISPUTE

1. Thank you for your note of 18 January, bringing us up to date. You refer to damage to BSC and NCB. Do we know how far it is possible to make rank and file employees in those two organisations feel the impact of this damage? At NCB, I would imagine that miners - heavily dependent on the bonus scheme for a large proportion of their earnings - would feel the effects of any reduced production schedules pretty quickly. It is admittedly hard to imagine Arthur Scargill using the TUC as a forum in which to put some pressure on Buckton to compromise. But rank and file NUM opinion could be articulated by others.
2. Perhaps there is more scope with BSC. Although bonus schemes and overtime must be hardly relevant at the moment, the prospect of lay-offs and closures must be very worrying to those who work there. Do we know whether there is any provision for laying off BSC employees in these circumstances?
3. Are there other groups of employees who are likely to start putting the pressure on Buckton, through the TUC? Terry Duffy's article in yesterday's News of the World said, among other things:

"The train drivers feel they have been badly treated in not getting their extra 3%. But their strike action has caused suffering to thousands of my members. Many factory workers, unlike office workers, don't get paid if they can't get to work. This past week their wives have had to accept less money while they struggle to make ends meet as prices rise."

4. Incidentally, it was interesting to see him refer approvingly - I think that's what he meant - to the GM proposals for wage cuts in order to be more competitive. He also described political strikes in a democratic country as "brainless drivel". (Meanwhile, he condemned the latest proposals from Norman Tebbit.)

18 January 1982


ANDREW DUGUID

010

c JV.
BT.

Prime Minister (4)



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3BB

please see X at plan B on tax.
MUS 15/1
trans

15 January 1982

MB.

Dear Private Secretary

My Secretary of State has approved the attached Guidance Notes on the rail strike which his colleagues might find helpful if questioned about the dispute.

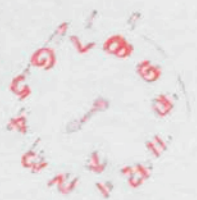
Copies of this go to the Private Secretary to the Prime Minister, Private Secretaries to the members of the Cabinet and to the Private Secretaries to the Chief Whip and Sir Robert Armstrong.

Yours sincerely

C R EDWARDS
Private Secretary



My Secretary of State has approved the attached
and has given you the full text which will
allow you to file this with the
relevant authorities. I have forwarded to the
relevant authorities the full text and the
relevant authorities have approved the attached
and have given you the full text which will
allow you to file this with the
relevant authorities.



17 5 JAN 1982



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The Government Policy for the Railways

1. The Government wants to see an efficient, cost-effective, well-invested railway.
2. The Government has:-
 - a. put more money into the railways, by raising the external finance provision in each of the last 2 years, and by putting up the Exchequer grant for passenger services in 1981 to £755m - by far the highest ever in real terms;
 - b. ruled out any substantial cuts in the passenger network;
 - c. endorsed the principle of a programme of main line electrification, based on better business performance and improved productivity;
 - d. avoided any reduction in the ceiling on investment in BR.
3. Ministers have repeatedly emphasised that more money can be found for investment by reducing current costs and increasing efficiency.
4. As recently as 22 December, the Secretary of State for Transport approved plans for electrifying the services to Ipswich, Norwich and Harwich.

The Government's Attitude to this Dispute

5. Mr David Howell, Secretary of State for Transport, has condemned the ASLEF strike as callous, self-defeating and doomed to cause point-less damage to the nation as a whole and the railway industry in particular.
6. Many railwaymen have shown great devotion to duty in keeping services going in the very bad weather. No doubt, railwaymen want to do a fair day's work for a fair day's pay, and make their contribution to raising the country's prosperity.

7. If this means negotiating changes in rules settled over 60 years ago, then that is a matter for the Railways Board and the railway unions. But the public is bound to ask why changes accepted as reasonable by the NUR for the guards at the back of the train are so totally unacceptable to ASLEF for the men in the cab at the front - and what it is that makes it necessary to inflict this misery on the travelling public.

What the Dispute is About

8. ASLEF have refused to honour their commitment to complete negotiations on 'variable rostering' - working shifts shorter or longer than the fixed eight hours, but all within a 39 hour week total - by 31 October 1981. As a consequence the British Railways Board have suspended, for footplate staff (drivers and their mates), their commitment to pay a further 3% from the beginning of January 1982 backdated to the beginning of August 1981.

The History

9. There was a unilateral reference by the Unions of their 1981 pay claims to the Railway Staff National Tribunal. The Tribunal's recommendation was not binding on the parties. The RSNT recommended an 8% increase from 20 April 1981 (the settlement date) and a further 3% from 1 August.

10. The British Railways Board offered:-

a. to implement the 8% increase in rates of pay with effect from 20 April 1981;

b. to apply a further increase of 3% in rates of pay from a date to be agreed provided there is evidence of a commitment to specified initiatives to increase productivity.

The Board's decision not to implement the further 3% from 1 August led to a breakdown in the negotiations and notice of an all-out strike by NUR and ASLEF to begin on 31 August 1981. At negotiations under the auspices of the Advisory Conciliation and Arbitration Service (ACAS), a settlement was reached under which:

- a) the unions, including ASLEF, undertook to 'endeavour to honour every aspect' of the undertaking reached on productivity which the Trade Unions had already given the Board in the form of six firm commitments with dates for completion of negotiations.
- b) the Board agreed to pay the additional 3% from January 1982 backdated to August 1981 'on the understanding that the commitments on productivity would be honoured'.

11. The specific commitment on rostering said:

"Negotiations shall take place to establish variations to the rostering agreements with a view to introducing some flexibility around the 8 hour day, but without producing unreasonable variation in the length of each working day."

This specific undertaking - among others - for changes which the Board see as vital to their plans for the future of the railways led the Board to agree to the payment of the extra 3%, as the record of the discussions shows.

12. ASLEF have since refused point blank to move from the fixed 8 hour day in subsequent negotiations.

13. The NUR have agreed to variable rostering based on a working day of between 7 and 9 hours for guards. NUR have made it clear they were prepared to accept a similar agreement for footplate staff who are members of the NUR.

14. The understanding on pay has been implemented for all BR staff who are members of the NUR and TSSA.

It has not been implemented for members of ASLEF.

BACKGROUND

1. Drivers' Pay and Hours

The average weekly gross earnings of an ASLEF member is £140.

A strike on two week days loses the individual driver about £50 gross. He is not entitled to any PAYE refunds unless pay falls below the tax threshold.

A strike on a Sunday would lose the man given an opportunity to work about £36 gross.

The job of driving trains is planned in turns of 8 hours. Under an agreement of 1919 a minimum payment of 8 hours is guaranteed. The 40 hour standard week is guaranteed for payment. It consists of 5 x 8 hour turns rostered between Monday and Saturday. Night and Saturday hours are paid at higher rates as is all time worked on rest days and Sundays.

A driver's normal shift of 8 hours includes on average 4 hours a day driving loaded trains. On top of this, there is 1 hour allowed for signing on and off, reading instructions and traffic notices and checking the train is in working order. And a further $\frac{1}{2}$ hour is added for the physical needs break. This makes a total of $5\frac{1}{2}$ hours productive time in an 8 hour turn.

The average daily mileage worked by drivers on all trains is between 50 and 60. The figure for freight trains is about 30.

2. The 39 Hour Week

In 1980, BR agreed to move to a 39 hour week in 1981. In the 1981 pay negotiations, this was deferred to January 1982. BR need new rostering arrangements to fit the 39 hour week. They have suspended introduction of the 39 hour week for ASLEF footplate staff until ASLEF signed up on the productivity agreements.

3. Variable Rostering

The Railways Board want to plan driving work in turns of varying

length, between 7 hours to 9 hours. This has been agreed for guards (members of the NUR).

For the Board this would provide more effective use of paid time by drivers, by allowing extra trips to be made on 9 hour days, and fewer unproductive hours on 7 hour days.

BR say that the new arrangements would also have advantages for drivers. The incidence of unsocial booking on and off time can be lessened. More individual days clear of duty could be rostered.

The arrangements proposed by BR for ASLEF are operated successfully and are normal practice on most European national railway systems. Indeed in a number of countries, the variations in hours per shift are in many cases greater than that proposed by British Rail.

4. The Negotiating Structure

The negotiation machinery in British Rail works at local, regional and national level. At national level the Railway Staff Joint Council (RSJC) is divided into 4 sections. One for salaried staff; one for locomotive; one for traffic and one for general issues covering all staff. The discussions on variable shifts for locomotive staff have been taking place in the RSJC (Loco). The top negotiating national body is the Rail Staff National Council (RSNC) which considers major issues as to standard conditions of service referred from RSJC.

Major issues on which the RSNC cannot reach agreement may be referred by any party for decision by the Railway Staff National Tribunal (RSNT). Decisions of the RSNT are only binding if both parties give prior indication that this is their joint intention.

The present dispute has not been referred by the RSJC to the RSNC.

4. Trade Union Membership

National Union of Railwaymen - Total membership on British Rail is between 120,000 and 130,000. Bulk of membership comprised of signalmen, guards, ticket collects, permanent way staff, but has about 1,600 foot-platemens.

Transport Salaried Staff Association - Total membership on BR about 50,000. Caters solely for salaried staff in transport and travel.

Associated Society of Locomotive Engineers and Firemen - Total membership on BR something over 20,000. Drivers, secondmen and trainees.

5. Government Advice

Rail strikes disrupt commuter travel, particularly in London. Sensible steps can minimise the damaging effects on the commercial life of the country and the personal inconvenience.

"Only travel if you must especially into London, and use alternative public transport when you can."

"If you must drive to work, share your car and your costs."

"Look out for the advertisements of car sharing agencies."

"If car share cannot be arranged, give free lifts."

"Stagger your hours if you can, preferably by starting early."

The Metropolitan Police are making special arrangements to keep traffic moving and to facilitate car parking. If the industrial action persists there are other measures which can be taken to ease the flow of traffic.

CONFIDENTIAL

(2)

CC AD
JV

Prime Minister

HLS

Prime Minister

ASLEF DISPUTE

Further to this morning's Cabinet meeting, I am glad to say that British Rail have now agreed with NUR that their members who are footplatemen will receive the three per cent.

The Board have made it clear that they have no quarrel with the NUR. They would prefer not to distinguish between men in the same grade. There will be some administrative problems about putting the extra money into payment. They hope that the need to make separate payments can in the event be avoided by an ASLEF return to work. But if not, the NUR members will be paid.

So far as some NUR members may claim that this is implementation of the pay agreement without strings, British Rail will explain that the question of strings does not arise because NUR have met their obligations under the productivity agreement to date.

I am sending copies of this to the other members of the Cabinet, to the Chief Whip and to Sir Robert Armstrong.

DAVID HOWELL
14 January 1982

CONFIDENTIAL



Prime Minister

10 DOWNING STREET

rus 12/1

The Right Honourable
Nigel Lawson, MP,
Department of Energy,
Thames House South,
Millbank,
London, SW1.

MS

12 January 1982

Dear Nigel,

Joe Egerton of Associated British Chambers of Commerce rang me.

(α Bow Group)

He says that many ABCC members use some mixture of supplies of gas and oil. Oil is often brought by rail tankers, and is therefore liable to interruption by ASLEF.

A number of his members are saying that their dependence on these oil deliveries is closely related to supplies of gas. Often they have interruptible contracts with British Gas. They are hoping that British Gas will do everything in its power not to exercise its right to interrupt supplies over the next few weeks. If British Gas is able to do this, it will reduce industry's vulnerability to the ASLEF action.

Massey Ferguson was one of the companies that had made this point. Apparently they, and the ABCC, are worried about the best way of putting this point to Government. Egerton seemed to think that if he simply rang the Department of Energy, officials might let the information slip into the hands of the press or direct to Ray Buckton. (I tried to disabuse him.)

He has therefore told John McGregor's office (apparently he trusts the officials there!) and now he has told me. He hopes you can encourage British Gas not to interrupt supplies over the next few weeks.

I imagine that British Gas in fact have a well-defined system for prioritising, within which interruptions only take place when they have to.

I am copying this letter to the Prime Minister and to David Howell.

*Yours ever,
John*

JOHN HOSKYNS



SC 34
✓

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

12 January 1982

The Rt. Hon. David Howell, MP.,
Secretary of State for Transport

David Howell

I have seen your 5 January minute to the Prime Minister setting out your appraisal of the position on the dispute over railway productivity.

I accept your view that at this stage the right course is to leave it to the Railways Board to make their case to the public but, in that context, I was pleased to learn that the Board have just decided on a major onslaught on the media, designed to get over more effectively than they have done so far, the monstrous nature of ASLEF's position in not sticking to the agreement negotiated last August. I discussed the question briefly with Peter Parker at NEDC last week and I hope this helped.

You also suggest that we may shortly need to consider what more should be done to make clear the Government's position. The handling of this dispute is clearly crucial to the future of the railways and to the prospect of bringing about necessary changes in their operation. We will therefore need to take a view on our attitude in the light of the fullest possible information. I hope you will therefore take the necessary steps to ensure swift communication between yourself and the Board on the development of their thinking and to disseminate this rapidly to colleagues. I imagine this can be done in most cases through official channels.

I am copying this to the Prime Minister, the other members of E Committee and to Sir Robert Armstrong.

Geoffrey Howe

GEOFFREY HOWE

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1982
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1982
JAN 12

CONFIDENTIAL

28. 31 $\frac{1}{2}$

Prime Minister

MUS 12/1

cc AD
JV

PRIME MINISTER

RAILWAY PRODUCTIVITY

Unless there is some last minute change, the two-day strike called by ASLEF will now take place on 13 and 14 January, with a complete stoppage of British Rail's services, and consequential effects on the following days. On the other hand, efforts by some elements to secure a one-day stoppage on the London underground at the same time have failed.

I expect this dispute to drag on. ASLEF seem more and more isolated, embittered and entrenched. But - despite what Mr Buckton said in his "open letter" to The Times yesterday - the fact is that ASLEF last August accepted the principle of negotiating an agreement on variable rostering and have ever since rejected that. For the Board to knuckle under to that, and pay the extra three per cent agreed last August without anything in return, would severely undermine all their plans for the future of the business.

I doubt whether ASLEF will move to an all out strike, though there will be those who will urge that. They would have no support from the other railway unions. While the NUR have to try to defend the interests of the small number of footplatemen who belong to the NUR (though ASLEF dominate their negotiations) the NUR Executive cannot possibly support ASLEF in denouncing the commitments, which all the unions met, to the specific productivity changes, and which NUR have honoured.

CONFIDENTIAL

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For the strike this week, the Metropolitan Police will be opening emergency car parks in the Royal and other parks (except for hardstanding on Clapham Common where Lambeth have refused facilities which are normally available) and will give extra effort to traffic control to keep the traffic moving. I have urged people to share their cars and stagger hours, if weather conditions allow use of the roads.

If later there is more prolonged disruption, there are further measures we can take. I shall then formally ask both Lambeth Council and the GLC to allow more extended facilities for parking on Clapham Common and in Battersea Park, though I expect they will be much disposed to refuse.

I am sending copies to the other members of E and to Sir Robert Armstrong.

DAVID HOWELL
12 January 1982

CONFIDENTIAL



✓cc AD
JV

Prime Minister

Relevant to tomorrow's meeting
MUS 11/1

PRIME MINISTER

INDUSTRIAL ACTION BY RAILWAY WORKERS

The Civil Contingencies Unit have met twice, at official level, to consider matters arising from the industrial action currently being taken by ASLEF. One result of their most recent meeting on 6 January has been circulation to Ministers of an updated version of a paper first circulated on 7 August last year, when all three railway unions were threatening industrial action.

David Howell is I know keeping you informed on the background and progress of the current action by ASLEF.

The Unit believe that a number of measures, which are ready to be used to alleviate the effects on London commuters of the two day strike called by ASLEF for 13 and 14 January, will be adequate. They also believe that even if the situation deteriorates further in the wake of the strike these measures should prove adequate for a time, as not all of them will be required for the two day strike. The measures, none of which require Ministerial authority for implementation, mainly involve providing extra car parking spaces in London, ensuring minimum obstruction to road traffic movement and advising the public on certain actions they can take to help. Should the situation deteriorate still further a number of other measures - that will require Ministerial authority - can be considered. They are the use of a relatively small number of servicemen to provide additional car parking spaces in certain London parks (Operation PUFFER); increasing power station endurance by maximising oil burn and in the last resort a State of Emergency.

No major problems are foreseen at the moment in maintaining freight, mail and shipping services, although the effect of

industrial action by Sealink officers that began on 7 January will have a bearing on this. There should be no immediate threat to movement of essential supplies to industry or the general public.

The Civil Contingencies Unit will be keeping a close watch as the situation develops. I will keep you informed as necessary.

I am sending copies of this minute to the Chancellor of the Exchequer, the Secretary of State for Industry, the Lord President of the Council, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Employment and Defence, the Minister of Agriculture, Fisheries and Food, the Secretaries of State for the Environment, Scotland, Wales, Northern Ireland, Trade, Energy and Transport, and to Sir Robert Armstrong.

WIL

10 January 1982

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Handwritten scribbles and initials in the top left corner.

British Rail (Eastern)
Great Northern House
79/81 Euston Road
London NW1 2RT
Telephone 01-837 4200 4620
Telex 262260

W.E. Parker Divisional Manager

*cc Miss Robellia
Press Office*

na MAP

v/r
o/r

Date 7th January 1982

Dear Prime Minister,

I am sure that you would like to have some more detailed personal information about the Associated Society of Locomotive Engineers and Firemen's (A.S.L.E. & F.) dispute and I am enclosing a document setting out the British Railways Board's stance.

I do hope this letter will be of help not only in advising you of the Board's position on this issue but also in providing information in case any of your constituents raise the matter with you.

Yours sincerely,

W. E. Parker

W. E. Parker.

7 January 1982

ASLEF DISPUTE

British Rail faces a major crisis. The Associated Society of Locomotive Engineers and Firemen (ASLEF) called on their member train drivers to cease working voluntary overtime and rest day working from 4 January, and have called a strike next week, on 13 and 14 January. This is in protest at BR's refusal to pay a 3% increase in pay from 4 January, backdated to August, 1981.

BR's decision to withhold the 3% increase came after ASLEF's refusal to move off the existing fixed 8-hour day to a new pattern of flexible rostering following parallel understandings on productivity and pay reached last August through ACAS (the Advisory, Conciliation and Arbitration Service).

Flexible rostering was the most urgent and significant of six areas for improving BR's efficiency encompassed by the ACAS understanding on productivity. Agreement for this has been reached with the trade unions for all staff other than drivers, but BR has become increasingly concerned at ASLEF's refusal to move off the 8-hour day.

BR's case is as follows:-

1. The 3% increase in pay was recommended by Railway Staff National Tribunal in July 1981. Paragraph 190 of that Award said, "Adequate pay and conditions must continue to be dependent on what can be done to maintain and improve productivity".
2. At the time, BR said it could not accept the Award because of the financial effect. It eventually agreed to pay because of the understandings reached at ACAS on the basis that the trade unions at ACAS had all agreed to respond to reasonable changes in working practices.
3. The critical issue was the agreement reached at ACAS that: "Negotiations shall take place to establish variations to the rostering agreement with a view to introducing some flexibility around the 8-hour day". This is a quote from the memorandum of the meeting held on 19 August 1981, to which all the Unions were parties.
4. Discussions on variable rostering took place at the Railway Staff Joint Council (Loco), but the ASLEF representatives refused to move off the guaranteed 8-hour day.

It is this issue which has plunged the industry into dispute.

However, if BR and ASLEF can come to an agreement soon, BR will pay the 3% (backdated to 3 August 1981) and introduce the 39 hour week which had previously been agreed for train drivers. But ASLEF must stand by their August 1981 agreement to vary the 8-hour day. BR is prepared to enter into discussions immediately on this basis.

WHY FLEXIBLE ROSTERING IS SO IMPORTANT

Flexible rostering aims at employing railway staff more productively; and is a means of allowing their working week to be reduced from 40 to 39 hours at minimal cost to BR; and benefiting them by giving them more rest days away from work and reducing the incidence of duties during 'unsocial' hours.

For drivers, this requires the present guaranteed 8 hour working day to be replaced by a guaranteed rostered day varying between 7 and 9 hours with no reduction in basic pay or overtime payments. Flexible rostering does not involve split shifts or "Continental rostering", and Sunday work would continue to be planned as now.

The present 8 hour shifts preclude the opportunity to maximise the productive work done by drivers because the rigidity of the system does not allow working periods to be more closely matched to the needs of the timetable reflecting the varying pattern of demand for train services throughout the day.

For example, a shift involving a 2½ hour driving duty each way, plus a physical needs' break of 30 minutes and about an hour for booking on and off duty, studying instructions, etc., produces 6½ hours 'useful' time within an 8 hour shift. The remaining 1½ hours often cannot be utilised because another driving turn cannot be accommodated in so short a spell.

However, a 7 hour shift would reduce this unproductive time to only ½ hour, or a 9 hour shift could allow a further driving turn to be worked.

How flexible rostering works

Flexible rostering would operate by planning daily turns of duty of between 7 and 9 hours (as has already been agreed for other BR staff). Over a 'roster cycle' - normally 8 weeks, but varying sometimes from depot to depot to reflect local staff preferences - each working week would vary but would average 39 over the whole cycle.

This flexibility will benefit drivers by providing more rest days and will reduce the number of occasions when they are required to work unsocial hours (e.g. throughout the night).

Applying flexible rostering to three typical BR depots has shown that, without any extra cost to BR, all drivers would enjoy at least one extra rest day every eight weeks (equivalent to 6 extra days away from work each year). Other benefits included more long weekends off work, and fewer occasions when drivers would have to report for work during the most 'unsocial' period of all, midnight to 0500 hrs. And all of this could be achieved with working weeks ranging between 35 and 45 hours.

At all three depots, the higher productivity resulting from flexible rostering would enable the 39 hour week to be introduced at minimal cost.

* * *

A sound future for Britain's railways depends on continuing efficiency improvements in the areas covered by the understanding on productivity reached at ACAS last August.

In addition to flexible rostering, other productivity items had the same timescale for the completion of negotiations. Of these, the open station experiments have been cleared and are working. The adjustment to the agreement covering single manning of traction units depends largely upon roster flexibility and relevant amendments would be required to match the variations in rostered turns of duty now sought.

cc: Max Incl: Cook: Pt 5

Trans

MH
5.1.82.

MR. SCHOLAR

cc: Mr. Whitmore

MEETING TO DISCUSS MINERS AND RAILWAYMENS PAY

This is arranged for 1615 on Tuesday
12 January. The following will be attending:

- Chancellor of the Exchequer
- Home Secretary
- Secretary of State for Energy
- Secretary of State for Transport
- Secretary of State for Employment
- Mr. Hoskyns
- Mr. Vereker

CAROLINE STEPHENS

5 January 1982



S.U.
A.D.

(2)

CONFIDENTIAL

Prime Minister

To note

Prime Minister

MUS 5/1

RAILWAY PRODUCTIVITY

You will wish to have my latest appraisal, following my minute to you of 23 December.

ASLEF continue to deny the principle, which they accepted in August, of negotiating an agreement on variable rostering. The Railways Board are therefore not currently implementing, for footplate staff, the move to the 39-hour week originally agreed in 1980, and are not putting into payment, for footplate staff, the three per cent wage increase from 3 August that was agreed last August. It remains very difficult indeed to see how the matter is to be resolved, and we must expect that the two-day strike called by the union for 13 and 14 January will take place with consequential effects on train services in the following days. Meanwhile, there will be some further deterioration of services from the union's current ban on overtime and rest-day working.

ASLEF will no doubt secure some expressions of support from other unions, but I do not expect them to win any general sympathy or active co-operation. Indeed they must be under pressure from other unions to honour their commitments, made in front of ACAS.

CONFIDENTIAL

CONFIDENTIAL

If the two day strike takes place next week, the most pronounced impact will be on those who commute into London by British Rail. I shall keep closely in touch with the Metropolitan Police over arrangements for alleviating the traffic problems, and will be ready at that stage to explain these measures to the travelling public. If the dispute continues to drag on with damaging effects on rail services, we shall need to consider what more should be done to make clear the Government's position. But for the present I am sure the right course is to leave it to the Railways Board to make their case to the public.

I am sending copies of this to the other members of 'E' Committee and to Sir Robert Armstrong.

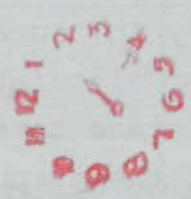
DA.

DAVID HOWELL
5 January 1982

CONFIDENTIAL



▲ 5 JAN 1982



PRIME MINISTER

cc. Mr. Ingham
Mr. Scholar
Mr. Vereker

ASLEF Dispute

Mr. Howell will be sending round a note about the current position late this evening or early tomorrow.

His office tell us that there was an informal meeting between BR Board representatives and an ASLEF delegation at lunchtime today. We understand that Sir Peter Parker suggested that the productivity point should be tackled at an urgent meeting of the relevant industry negotiating committee, to be convened for this purpose alone. It seems that Ray Buckton was ready to go along with this, but was told by ASLEF's (Communist) President that ASLEF should not accept the proposal.

ASLEF having turned down this offer, there was no alternative proposal before the meeting. The meeting therefore broke up in acrimony. Sir Peter Parker has apparently told Mr. Howell that he has never seen a union so entrenched as ASLEF on this occasion. Mr. Howell is speculating that, with the ASLEF strike scheduled to coincide with the final stages of the NUM ballot, there may be some factors involved beyond ASLEF's narrow and immediate interests.



4 January 1982

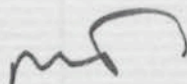
PRIME MINISTER

ASLEF

Department of Transport tell me that the talks are still in progress. They have had a very brief telephone report from the Chief Conciliation Officer. He says that the talks are likely to continue into the evening, and that it is not his intention to make any comment to the media tonight. It seems likely that further meetings involving the other rail unions will be set up for the weekend.

The implication, therefore, is that the process of discussion will continue over several days. If really pressed tonight, ACAS will merely refer to exploratory talks. If we have to make any deductions from what is happening, we would be mildly positive, because nobody seems to be in a mood to break contact.

We will try to get an update before your briefing tomorrow morning.



30 December 1981

PM has seen

MAD

ASLEF

We now have the first reports from the meeting of the National Executive of ASLEF. They have ordered a two-day strike by their members on Wednesday and Thursday, 13 and 14 January. They have also called for a total ban on overtime and restday working from next Monday. The Department of Transport estimate that the overtime ban will have little effect except in the Southern Region. There it will mean a reduction of one third in British Rail's services. ACAS are now likely to invite all the parties concerned to talks. The Department see no need for any action on the Government's part at this stage. They continue to see the top priority to be to isolate ASLEF.

W Rickett

29.12.81

MR. SCHOLAR

Prime Ministercc: Mr. Hoskyns
Mr. Duguid
Mr. Ingham
Press OfficeEarly warning of a
possible strike on 4 Jan. / in April.

MS 24/12

INDUSTRIAL ACTION ON THE RAILWAYS

We had a word about Mr. Howell's letter of 23 December to the Prime Minister, written before the meeting of the CCU which I attended yesterday. I have a little further information which is worth recording, but I leave it to your discretion whether you trouble the Prime Minister with it today. You and others may find it helpful anyway.

Prospects for Industrial Action

The British Railways Board have succeeded in their tactic of leaving ASLEF isolated, and the good offices of ACAS have not even been tried, let alone exhausted. On the other hand, there has been no sign all along of any willingness on the part of ASLEF to move at all. The FT this morning reports, contrary to Mr. Howell's expectation, that ASLEF have recalled the Executive for an emergency meeting on Tuesday. This looks to me very much like a preliminary to strike action.

Nature of Industrial Action

90% of BR's drivers are ASLEF members, so industrial action would quickly affect almost all BR services. But the Department of Transport's assessment is that it is most unlikely to spread to London Transport. Any industrial action will most probably begin with a one-day strike on 4 January, and thereafter a pattern of disruption designed to cause maximum inconvenience for minimum loss of pay is more likely than an all-out strike. An all-out strike is not expected, therefore, for two or three weeks at least, and the prospect is for disruption and inconvenience rather than complete chaos. The effect on coal stocks is unlikely to be significant for several weeks.

Ways Out

The Treasury and the Department of Transport are agreed that it is absolutely crucial to the future viability of British Rail that this long overdue modernisation of their manning practices

be implemented, and that B.R. must on no account be encouraged to allow ASLEF to get away with it. So the only winning tactic in prospect at present is the continued isolation of ASLEF, which might - especially if NUR members have to be sent home - result in pressure from the TUC on ASLEF to accept ACAS mediation.

J.

24 December 1981

CONFIDENTIAL



My P.1.
Morning MW the PM mins
(via JV's minutes 24/12)

HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT ML

24 December 1981

Dear Michael

The Civil Contingencies Unit met on 23 December at official level to consider the possibility of industrial action by the Associated Society of Locomotive Engineers and Firemen (ASLEF) early in the New Year.

2. The Secretary of State for Transport's minutes to the Prime Minister of 16 and 23 December set out the current situation. Although the course of events is very hard to predict it seems unlikely that any industrial action by ASLEF members will occur before 4 January 1982, even then local or one day strikes are the most likely early form of action. Such strikes would be inconvenient rather than seriously disruptive. The inconvenience to London commuters should be capable of being handled by current Metropolitan Police and Department of Transport emergency arrangements - especially as it is most unlikely that London Transport will join industrial action undertaken by ASLEF alone.

3. The Civil Contingencies Unit is revising the paper on proposed industrial action by British Rail workers enclosed with John Halliday's letter of 7 August, will keep in close touch with developments, and will be in a position to consider and recommend further action if and when necessary.

4. I am sending copies of this letter to the private offices of the Chancellor of the Exchequer, the Secretary of State for Industry, the Lord President of the Council, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Employment and Defence, the Minister of Agriculture, Fisheries and Food, the Secretaries of State for Environment, Scotland and Wales, Northern Ireland, Trade, Energy and Transport, and Sir Robert Armstrong.

Yours sincerely
C J Walters

C J WALTERS

M C Scholar, Esq.

24 DEC 1981

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CONFIDENTIAL

Prime Minister

(2)



To note
DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Mus 23/12

~~cc. A. Duguid~~

J. Verker

Michael Scholar Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

23 December 1981

Dear Michael,

RAILWAY PRODUCTIVITY

My Secretary of State thought it might be useful for his colleagues to have an update on the latest position on the BR industrial relations front. The position is as follows.

The National Union of Railwaymen yesterday accepted the detailed agreement on variable rostering. This is a major step forward.

ASLEF have continued to refuse entirely to honour their commitments on variable rostering, and they have also refused to attend a meeting to brief ACAS on the situation.

To accept this total refusal by ASLEF to make any move towards honouring the commitments they made in August would wholly undermine the ability of the Railways Board to carry forward their plans for the future of the railway. It is very difficult indeed to see how this matter is now to be resolved, but the Board certainly cannot knuckle under to this refusal. They are therefore telling their unions today that the three per cent pay increase will not be paid to footplate staff in January, but it will be paid and backdated as agreed to other staff.

The reaction of ASLEF and the footplate staff is very hard to gauge. ASLEF will no doubt seek to argue procedural points of one kind or another, but procedural points are of course wholly empty ones when the reality is an absolute refusal by the union to make any move towards honouring their commitments. ASLEF should come under a good deal of pressure from other unions.

My Secretary of State doubts whether there will be any further decisive moves before the beginning of January. From the 4th January there could well be sporadic action by footplatemen, or

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intermittent action organised by the union. There is no clear threat at this stage of a national strike, but railway management may be faced with very difficult decisions about how long they can tolerate disruption of rail services stopping short of a strike.

The Department has asked for a meeting of the Civil Contingencies Unit in its official form today, so that Ministers can have an appraisal before them. Mr Howell will be keeping in close touch with events and will be ready to return to London at short notice if need be.

I am sending copies of this minute to the private secretaries of the other members of E Committee and Sir Robert Armstrong.

Yours,

Anthony Mayer

R A J MAYER
Private Secretary

CONFIDENTIAL

02

25 DEC 1981

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COMMUNICATIONS

MR. INGHAM

c. ~~Mr. Scholax~~
~~Mr. Hoskyns~~
~~Mr. Duguid~~
Press Office

Transport

POSSIBLE INDUSTRIAL ACTION ON THE RAILWAYS

It may be helpful if I record for the benefit of you and others interested the oral briefing I gave you this morning about the BR pay dispute.

The Issue

The dispute is over whether the last 3% of the August 1981 11% pay offer is payable in return for discussions about or improvements in productivity. The BR Board have taken the position all along that the unions committed themselves in August to reasonable improvements in rostering. ASLEF dispute this. The August formula was ambiguous - "negotiations shall take place to establish some variation in the rostering arrangements." But the ACAS record of the August discussions does apparently say that the BR Board accepted the deal "on the understanding that commitments on productivity would be honoured" which might be read to support the Board's position.

The Negotiations

The NUR are believed to be close to accepting the Board's variable rostering proposals; the NUR Executive meets to decide this afternoon. ASLEF has so far refused to deviate from the 8-hour day which has been in force since 1919. As you know, ASLEF did not turn up for the meeting called by ACAS this morning; but apparently Buckton has said that this is because ASLEF do not consider the process of negotiation with the BR Board to have been exhausted.

The BR Board's strategy is to so arrange things that ASLEF are isolated in their opposition to the new arrangements, so that they come under pressure from the NUR and possibly the TUC, and eventually fall into line. Before doing so, however, there is rather likely to be some industrial action, not necessarily in the form of an all-out strike.

/Contingency Arrangements

CONFIDENTIAL

- 2 -

Contingency Arrangements

The CCU meets tomorrow morning, and I will attend. But it is likely to confine itself to second order issues such as special car parking arrangements in London and whether to meet during the holiday week, rather than to the more difficult questions of coal movements and endurance.

Clearly the right line to take publicly at the moment is that this is a negotiation between the BR Board and the unions, in which the Government is not involved. I understand that Mr. Howell will be reporting to the Prime Minister when the situation is clearer. ~~I suppose this may be appropriate for Cabinet on Thursday.~~

J. M. M. VEREKER

22 December 1981

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From the Private Secretary

18 December 1981

Railway productivity

The Prime Minister was grateful for your minute of 16 December about the situation on the railways over the next few weeks.

A

She looks forward to a further report, as promised by your Secretary of State.

I am sending copies of this letter to the Private Secretaries to the other members of E Committee and to David Wright (Cabinet Office).

M. C. SCHOLAR

Anthony Mayer, Esq.,
Department of Transport.

CONFIDENTIAL

Jup

Prime Minister

Ms 16/12

CONFIDENTIAL

Prime Minister

RAILWAY PRODUCTIVITY

We face a very tense situation on the railways over the next few weeks.

The British Railways Board have been fighting hard in the detailed negotiations to pin the Unions to the changes in working agreements that they committed themselves to in August. The Transport Salaried Staffs Association has delivered on some items, so has the National Union of Railwaymen. Though it is not yet wholly certain that the NUR will finally accept the detailed agreement on the very important matter of variable rostering (that is, new arrangements to allow the Board to roster a man for seven hours one day and nine or ten hours another, instead of the present rigid eight-hour day). What is clear however, is that ASLEF have refused entirely to honour their commitments on variable rostering and so there is no progress with them on that or the associated commitment on train manning. The Board have therefore asked ACAS to call the parties together again to secure that the commitments are carried out. ASLEF will come under very strong pressure from all those in the trade unions who want to support the authority of ACAS.

At some stage, and probably before next weekend, the Board will have to make it clear that so far as the unions fail to deliver their commitments, the Board will not be bound by their agreement to pay the additional three per cent in January. It is too early to guess whether this will lead to disruptions of rail services, and if so on what scale, and whether

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that will arise on the 4 January or later. But we must reckon that early and possibly substantial trouble on the railway is now a distinct possibility.

As it happens, I have a longstanding engagement tomorrow to meet Sir Peter Parker and his Board with the leaders of the rail unions, in the Rail Council. I shall use this opportunity to the full to explain to the unions the very substantial help we have given to the railway, and the further commitments we have made. At the same time I shall make it absolutely clear that the dispute on the productivity negotiations is one between the Board and the unions. We must very firmly discourage any attempt to present these issues as ones between the Unions and the Government.

It is a great strength to our position here that I have secured the full commitment of Sir Peter Parker and his Board to working to the very tough EFL we have set them for next year.

I will report further to you when the prospects are clearer.

I am sending copies of this to the other members of "E" Committee and to Sir Robert Armstrong.

DH.

DAVID HOWELL
16 December 1981

CONFIDENTIAL



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OK JV
FD
1981

CABINET OFFICE
Central Policy Review Staff

70 Whitehall, London SW1A 2AS Telephone 01-233 7765

From: J. R. Hbb.
CONFIDENTIAL

Qa 05749

16 December 1981

Dear Lord Hb,

Review of British Rail Finances

below -

NO MLS

I understand that the Secretary of State for Transport wishes to announce the name of the Chairman and the terms of reference for the proposed review tomorrow, Thursday 17 December. You will recall that in my letter dated 26 November to the Secretary of State for Transport I expressed the view that, as at present conceived, the review is likely to expose the conflict between the need to contain the financial commitment and the desire to maintain the existing system. I suggested that before the review was formally announced it would be important to decide how the likely outcome that would point up the dilemma would be handled.

In my letter I suggested that the review would fall in two parts and that it might be wise to keep them separate. These were -

First, to establish the reasons for falling revenue and rising costs, to identify associated management problems and propose solutions;

Second, to establish a quantified analysis of the amounts of money needed to sustain various levels of network and services.

I still believe that in practice a Chairman of the review will have great difficulty in coming to really constructive conclusions on all these matters if he has to try to carry the various interested parties

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
H M Treasury
SW1

CONFIDENTIAL

with him in a published report. There is a risk that a much publicised review will be set up and then achieve very little or even do harm through making the situation more difficult to resolve.

I think that to achieve a satisfactory outcome on the first part of the review will require extensive use of consultants. There would be a number of alternative ways of commissioning them, ranging from this being done by the Department of Transport or by the appointment as now proposed of an outside Chairman of a review.

On the second part of the review unless there is now confidence about how the dilemma between expenditure and size of railway will be resolved, I still believe it may be prudent for these strategic aspects to be examined on a confidential basis, perhaps in a similar way to that used by the CPRS last summer in their consideration of the "commercial" railway.

I am sending a copy of this letter to Sir Robert Armstrong.

Yours sincerely,
J.R. Ibbotson
J R Ibbotson

CONFIDENTIAL



THE PERMANENT SECRETARY
SIR PETER BALDWIN, KCB

Sir Douglas Wass GCB
HM Treasury
Parliament Street
London
SW1

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 4581

Handwritten initials

~~c - Miss Andrews.~~

15 December 1981

~~c Mr. Raitly
c Dr. Richard
c Mr. Mackenzie~~

CABINET OFFICE
A 8529
15 DEC 1981
FILE NO.
FILE No.

My dear Douglas

RAILWAY REVIEW

You had to tell us that the Chancellor did not like my Secretary of State's first thought for a Chairman of our forthcoming railway review. That has all been put away, amicably. We have put on our thinking caps again, and my Secretary of State has hit upon a solution which he finds very attractive, and with which he understands that both the Prime Minister and Sir Peter Parker would be content. This is that the Chairman should be Lord Marshall. I need hardly mention his very extensive experience of public affairs or the fact that his particular concern with transport has been with the coach industry, not with the railway.

I hope that this suggestion will be equally welcome to the Chancellor.

I should be most grateful to know that all is well now for us to proceed. We have a timing difficulty. It is that, unless things go badly wrong on the industrial relations front with one of the Railway Unions, my Secretary of State has a long-standing engagement on Thursday to meet the Board and the Railway Unions together in the Railway Council, and it would obviously be very useful to him to know that his way is clear to set up his review. But I am sure that he would want to have had a word with Lord Marshall before then.

We shall need Terms of Reference and there is a draft in existence. But it would be sensible in any event to discuss them with the review's Chairman before we finally settle. The Treasury will be in on this, of course.

I am sending a copy of this letter to Robert Armstrong.

Yours ever

P.B.

PETER BALDWIN

CONFIDENTIAL

✓ AD
SV

Transport ①



**DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB**

~~Prime Minister~~
~~Content with this variation?~~
mes 1/12

Michael Scholar Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

1 December 1981

Dear Michael,

AD + JV ate content
with X.

BRITISH RAIL'S 1981/82 EFL

Thank you for your letter of 30 November. Mr Howell is grateful for the Prime Minister's suggestion that the answer should incorporate a reference to the fares increases - no doubt the Prime Minister has in mind the large increases of November 1980. But he feels that the drafting will need to take account of the point that the effect of fares increases on the volume of demand is not the same as their effect on revenue.

X | Mr Howell has accordingly revised the passage to read:
"Since that limit was set, British Rail have suffered a very severe loss of revenue due to falling passenger demand following heavy fare increases last year and lower business and holiday passenger traffic."

Mr Howell hopes that this text will be acceptable to the Prime Minister. If you would be kind enough to ring me tomorrow morning, I can then arrange for the final version of the answer to be put down.

I am sending a copy of this letter to Terry Mathews (Chief Secretary's Office) and John Rhodes (Department of Trade).

Yours Sincerely

Anthony Mayer

R A J MAYER
Private Secretary

~~None~~ Tow Mr Mayer

no Bijahan (in PM's
absence)

MES 2/12

CONFIDENTIAL

7 DEC 1967

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Faint, illegible text, likely bleed-through from the reverse side of the page.

CONFIDENTIAL



Transport
AD
AW
JV
NBPM

Treasury Chambers, Parliament Street, SW1P 3AG

Anthony Mayer Esq
Private Secretary to the
Rt Hon David Howell MP
Secretary of State
Department of Transport
2 Marsham Street
London SW1P 3EB

30 November 1981

Dear Anthony,

BRITISH RAIL'S 1981-82 EFL

You wrote to me on 26 November enclosing the terms of the announcement which your Secretary of State proposes to make on British Rail's 1981-82 EFLs.

The Chief Secretary is content with the draft.

I am sending a copy of this letter to the Private Secretaries to the Prime Minister and the Secretary of State for Trade.

Yours ever

Terry Mathews

T F MATHEWS

Private Secretary

CONFIDENTIAL

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10 DOWNING STREET

From the Private Secretary

30 November 1981

BRITISH RAIL'S 1981/82 EFL

The Prime Minister has seen a copy of your letter of 26 November to Terry Matthews, to which was attached a draft arranged PQ and Answer in relation to British Rail's EFL for 1981/82.

The Prime Minister thinks it would be a mistake to ascribe B.R.'s severe loss of revenue purely to the effect of the recession, as in the first sentence of the second paragraph of the draft Answer. She suggests that the opening of the second paragraph of the Answer might be redrafted as follows:

"Since that limit was set, British Rail have suffered a very severe loss of revenue, particularly in their passenger business. This fall in passenger demand is of course related to the very substantial recent fare increase."

I am sending a copy of this letter to Terry Matthews (Chief Secretary's Office) and John Rhodes (Department of Trade).

M. C. SCHOLAR

Mrs. Alice Baker,
Department of Transport.

CONFIDENTIAL

CONFIDENTIAL

Prime Minister

①

MR. SCHOLAR

c. Mr. Duguid
Mr. Ingham

Agree an
amendment as
at x?

Ms 27/4

ANNOUNCEMENT OF B.R.'s REVISED 1981/82 EFL

The draft answer ^{attached} suggested by Transport says that B.R.'s recent severe loss of revenue in their passenger business is "due to the effects of the recession".

B.R. should not be allowed to get away with this. Under any reasonable assumption of elasticity of demand, the fact that B.R. passenger fares have increased by 40% over the last two years, largely due to B.R.'s own decision to reflect pay increases in fares rather than cutting of loss making services, is the principal cause of the loss of revenue. We do want, as a general principle in our economic presentation, to bring home to people the consequences of nationalised industry losses. I suggest that the opening of the second paragraph of the answer might be redrafted as follows:

x ["Since that limit was set, British Rail have suffered a very severe loss of revenue, particularly in their passenger business. This fall in passenger demand is of course related to the very substantial recent fare increases."
If you agree, you might want to try this on the Chief Secretary's office, since it is to them that Transport have addressed their proposal.

Jr.

Agreed
ms.

27 November 1981

CONFIDENTIAL



cc AD
JV
AW
D.

CABINET OFFICE
Central Policy Review Staff

70 Whitehall, London SW1A 2AS Telephone 01-233 7765

From: J. R. Ibbs

CONFIDENTIAL

Qa 05728

26 November 1981

Dear Secretary of State,

Review of British Rail Finances

I have now seen copies of the correspondence between you and the Chief Secretary to the Treasury. As the CPRS is invited to participate in the proposed review, I should like to offer some observations.

You will recall that one of the recommendations of the CPRS report on BR of last June was that the commercial sector should be reduced to a viable core. At the time the report was submitted I wrote to your predecessor about some of the consequences of this. In particular, I felt that enlarging the non-commercial sector would make it even more important both to clarify the objectives of the PSO grant and to monitor how the aid is used.

Since then the financial position of BR has deteriorated further by a combination of falling revenue and rising costs, some of which is apparently inexplicable. I recognise that this poses severe and urgent management problems. I believe that an investigation to identify clearly the true nature of these problems and propose solutions will be a major task in itself. At present some of the evidence seems confused and the Board is bound to be rather defensive; the Chairman of the review is likely to have a difficult task in gaining their agreement on

The Rt Hon David Howell MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
SW1

CONFIDENTIAL

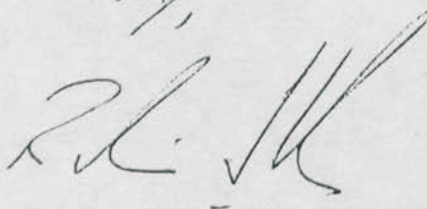
credible efficiency gains of a sufficient magnitude to affect the broad financial position.

Naturally I attach great importance to a review that would enable clear objectives to be formulated. However, it appears to me likely that the review would merely confirm the dilemma that either more funding is required or the network and services have to be cut. Neither alternative seems at present to be politically acceptable. A quantified analysis of this dilemma (the amounts of money needed to sustain various levels of network and services) would be helpful. But if this is to appear in a published report it would be desirable to be clear in advance how such a revelation would be handled. BR's advertising is already disseminating the Board's view.

I suggest, therefore, that it will be important to decide, before initiating a review that would be published, how the likely outcome that points up the dilemma will be handled. Alternatively, it might be better in the first instance to conduct the review of these strategic aspects (as distinct from the management problems) on a confidential basis.

I am sending a copy of this letter to the Chief Secretary and to Sir Robert Armstrong.

yours sincerely,



J R Ibbs



CC AP
AW
JV

CONFIDENTIAL

Prime Minister

4

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Ms 26/n

Mr Palfreyman

T Matthews Esq
Private Secretary to
The Rt Hon Leon Brittan MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON
SW1

26 November 1981

Dear Terry

BRITISH RAIL'S 1981/82 EFL

In the Chief Secretary's letter of 11 November in which he agreed that British Rail's EFL for 1981/82 should be revised to £920 million for all purposes, he asked my Secretary of State to clear the terms of my announcement with himself and the Secretary of State for Trade. I attach a draft arranged PQ and Answer, which Mr Howell proposes to give on the same day as the EFLs for 1982/83 for all the nationalised industries are announced. As I understand that that announcement will be made early next week, my Secretary of State would therefore be grateful to have early agreement.

I am sending a copy of this letter and the attachment to the Private Secretaries to the Prime Minister and the Secretary of State for Trade.

Yours sincerely,

Alice Baker

MRS E A BAKER
Private Secretary

CONFIDENTIAL

CONFIDENTIAL

DRAFT ARRANGED PQ FOR WRITTEN ANSWER

QUESTION

To ask the Secretary of State for Transport, whether he will increase the British Railways' Board external finance limit for 1981/82.

ANSWER

The British Railways Board's external finance limit for 1981/82, set in November 1980, is £920m, of which £53m was earmarked for the costs of withdrawing from the Collected and Delivered parcels service.

Since that limit was set British Rail have suffered a very severe loss of revenue, particularly in their passenger business, due to the effects of the recession. In response, the Board have made a concerted effort to secure substantial reductions in their costs, but it has not been possible for them to compensate fully in this financial year. It is clear that the provision of £867m for the normal requirements of the business (which excludes the costs of withdrawal from C&D parcels) will be insufficient, and the Government have decided that this should be increased to £920m. As the net costs of the withdrawal from the C&D parcels service have proved to be less than earlier anticipated, an additional allowance for this purpose is no longer justified. I consider that the new EFL of £920m for all purposes represents a reasonable target for the Board to work to in the remaining months of the financial year.

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Transport
DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

cc BR file

Red c 17/11

Mike Pattison Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

17 November 1981

Tyrefa PM, etc

MJP 19/11

Dear Mike,

I enclose a draft reply to Mr Geraint Morgan's letter to the Prime Minister about British Rail, which you sent me with your letter of 10 November. Mr Morgan has made several earlier complaints to the Secretary of State's predecessor about difficulties he has met in using the railways. He has suggested that the right remedy was to remove Sir Peter Parker and appoint somebody else.

We believe that the Prime Minister will not want to accept Mr Morgan's suggestion that it will necessarily be better to have a chairman of the Board from within the railway industry.

Yours,

Anthony Mayer

R A J MAYER
Private Secretary

DRAFT LETTER FROM PRIME MINISTER TO MR GERAINT MORGAN QC MP

1. Thank you for your letter of 3 November about British Rail.

2. I was sorry to hear about the difficulties you have had. I know what great inconvenience this sort of thing can cause. I hope you are taking up your particular complaint with the railway managers.

3. I am sure that giving a better service to the customer is a very important part of running the railways.

But the Chairman of the Railways Board has to deal with other problems as well. I am not at all sure that I agree with your view that a chairman from inside the industry would necessarily be better - that would very much depend on the man.

4. But these questions are of course academic at the present, since we have decided that the right course at this juncture is to ask Sir Peter Parker to continue for a further limited spell, and he has accepted.

From GERAINT MORGAN, Q.C., M.P.

Original filed on
Industrial Policy, BL, Pt 6

cc BR file

House of Commons,
LONDON SW1A 0AA.

3rd November, 1981.

MORGAN
E.F. 8/5
Dear Prime Minister,

Thank you for your reply of the 27th October to my letter of the 3rd October about the salaries of Chairmen of Boards of nationalised industries.

I am bound to say that I am dismayed by what you say in the last paragraph of your reply, from which it can only be inferred that you consider that British Rail is being well managed. With the greatest respect, that is not, I am sure, the view of the huge majority of ordinary passengers, like myself, who have frequently to endure the frustration and misery of railway travel.

Let me give you just one example from my own experience, significantly enough, on the very day I received your reply. I had a most important meeting arranged that day with representatives of a firm who are striving hard to create more employment in my constituency - an unusual state of affairs anywhere in Britain these days! Because my train - incidentally, one of B.R.'s much-vaunted inter-city expresses - was 35 minutes late I was obliged to curtail the meeting, which should have taken about an hour, to less than half that time, in order to keep a later engagement at a Ministry.

That did not mark the end of my sufferings that day. I had to make an overnight journey from Euston and was told that I could board the train, and occupy a "sleeper", at 11.30 p.m. In fact, the train did not come in until 12.25 a.m., and in the meantime, along with dozens of other passengers, I just had to stand on the concourse. (The sole waiting-room was some distance away from our particular platform and was choc-a-bloc with people anyway, and the concourse boasts no seats.) No one of the B.R. staff at Euston had the courtesy even to come along and explain to us the reason for the delay. We were just treated like so many travelling animals, in the best B.R. tradition!

This sort of experience could, of course, be repeated a thousand-fold, and more, all over the country, and such a state of affairs is just not good enough. If the Government really feels that this reflects

"good management" then I can only say with regret that it augurs ill for its prospects in the next General Election.

I cannot help feeling that a great deal of the trouble stems from the fact that, with the sole exception of Sir Henry Johnson, none of the B.R. Chairmen we have had since nationalization came to the job with any previous experience of running a railway. One was a rather undistinguished retired General, and two, including the present one, were not very successful politicians. I cannot for the life of me understand why the job is not given to someone who has spent his life in the railway service. There must be plenty of people with such experience who would be pleased to take it on and, like Sir Henry Johnson, make at least a comparative success of it.

I find a curious inconsistency between the Government's policy in appointing B.R. Chairmen and the one it adopted - very rightly, in my view - in choosing a Chairman for the British Steel Corporation. In the latter instance, it went to a great deal of trouble - and, admittedly, a considerable amount of expense - to find someone who really knew the industry thoroughly. The wisdom of that policy has been proved by Mr. McGregor's success in, at long last, making the Llanwern works, at least, really competitive by European steel production standards.

Yours sincerely,
Clement Davies

Ms.
The Rt. Hon. Margaret Thatcher, M.P.



Prime Minister

MS 3/11

J. Vereker (4)
A. Duguid
A. Walters

←

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon David Howell MP
Secretary of State
Department of Transport
2 Marsham Street
London SW1P 3EB

3 November 1981

D. Davis

MT

BRITISH RAIL PAY AND FINANCES

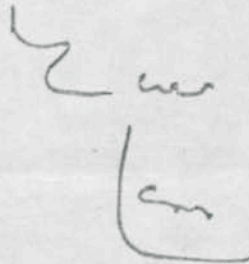
You wrote to me on 20 October about the implications of this year's pay settlement and the relationship between improvements in productivity, pay increases, and electrification. I have now also seen the Prime Minister's comments in her Private Secretary's letter of 27 October.

I welcome your confirmation that the extra cost of the second instalment of the McCarthy Tribunal award can be financed by a combination of the deferral of the start of the 39 hour week and faster demanning than expected. I am still, however, concerned about the extent and scale of the extra payments to the staff, over and above the additional 3 per cent, which were apparently conceded to secure implementation of the productivity changes. I would like to know the details of this part of the package as soon as you have an indication of them. Until then we cannot judge how much the Board has paid for these changes. Whatever the details, the effect must surely be to erode the net benefit of the productivity changes to the Board's finances.

Your letter went on to suggest that the increase in the pay bill and the relative position of the Board's employees in the earnings league were important statistics in ensuring that the Board did not use the benefit of productivity improvements several times over. I agree that the increase in the Board's pay bill is important and I would certainly hope that the planned reduction in manpower and lower pay assumptions will combine in practice to reduce the very rapid increase in the Board's pay bill we have seen since 1978-79 with consequential effects on the Board's costs. The Board's relative position in the earnings league seems less relevant. I could not possibly accept that railwaymen have a special right to maintain or improve on their position, particularly in view of their poor productivity record over the past decade.

This leads on to my final point. In my earlier letter, I was not of course seeking to argue that the go-ahead for individual electrification schemes should be linked to specific productivity initiatives. But we have said that progress on electrification will depend on the achievement of necessary improvements in productivity and, at the Prime Minister's meeting on 20 August, it was agreed that productivity improvements agreed in the context of pay could not also be used as justification for railway electrification; further productivity improvements would be required before the electrification schemes could be approved. If we are to give this practical content, we (and the Board) must be clear about what productivity improvements they are expected to achieve before electrification can go ahead - and I am sure you will agree there is considerable scope for further initiatives - and that the financial benefits of changed working practices should be divided between financing electrification and reducing the Board's external financing requirement rather than mortgaged to additional pay. If we do not make this clear to Sir Peter Parker now, we risk disappointing him in the future.

I am copying this letter to the recipients of our earlier correspondence.

A handwritten signature in dark ink, appearing to read 'Leon Brittan', with a stylized flourish at the end.

LEON BRITTAN



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10 DOWNING STREET

From the Private Secretary

29 October 1981

Dear Alice,

Thank you for your letter of 16 October about the revised pay assumption in the calculation of British Rail's external financing requirement for 1982/83.

I am grateful for the clarification you give about British Rail's revised assumption of 5.5%, i.e. some 3% below their previous figure. The Prime Minister's view, however, is that 5.5% still seems a high figure for British Rail. But since what is at issue is not a substantive pay decision but rather a question about how best to calculate British Rail's external financing requirement, the Prime Minister does not ask that this be pursued further at the present time.

I am sending copies of this letter to the Private Secretaries to the members of E Committee, Roderick Balme (Office of the Parliamentary Under Secretary, Department of Transport), David Wright (Cabinet Office); and to Robin Ibbs.

Yours sincerely,

Michael Scholar

Mrs. Alice Baker,
Department of Transport.

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Transport

10 DOWNING STREET

From the Private Secretary

27 October 1981

British Rail Pay and Finances

The Prime Minister has seen your Secretary of State's letter of 20 October about British Rail pay and finances.

BKF
In relation to points about productivity changes in Mr. Howell's fourth paragraph, she has commented that it was her understanding that some specific new productivity initiatives were to be tied to the electrification programme.

I am sending a copy of this letter to Terry Mathews (Chief Secretary's Office).

M. C. SCHOLAR

Anthony Mayer, Esq.,
Department of Transport.

A



MS 21/10

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon David Howell MP
 Secretary of State
 Department of Transport
 2 Marsham Street
 London SW1P 3EB

21 October 1981

BRITISH RAIL: INCREASE IN GRANT

will request if required,

You wrote to me on 13 October seeking my agreement to an increase of £109.4 million in British Rail's 1981 Public Service Obligation grant to offset revenue losses and to your announcing it on 21 October.

As you will know from my letter of 3 August to Norman Fowler I was (and remain) most reluctant to see an increase in this grant. From the figures in your letter and the more detailed figures which you have given my officials, it would seem that the Board's performance in not taking vigorous management action to offset these revenue losses has been lamentable. Nor is the position for the future, about which I was particularly concerned in August, as yet much brighter.

In agreeing that we would ultimately have to accept the Board's revised claim, I suggested that we should impose clear conditions on the Board. Your letter suggests that some progress is being made to this end. But in my opinion we are not yet in a position to judge whether this has gone far enough. The PSO grant forms by far the major part of the Board's external financing limit. For 1982-83 the Board have not so far made the reductions which were agreed on by E Committee in July and, as you know, I have asked in my paper C(81)51 for further reductions, implying an EFL of £925 million. I assume that to achieve this the Board will have to make more progress in some of the areas identified in my August letter. Nor, as I understand the position, have you yet seen the Board's 1982 grant claim incorporating the reductions in unit costs which you are seeking. I am not prepared to agree to it finally until we are clear that the Board have accepted our earlier conditions; in present circumstances this must mean the Board accepting a 1982-83 EFL of £925 million. I cannot agree to the claimed grant increase unless this is accepted. It would also be helpful to be clearer about the new

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grant regime which you are considering, in which Alan Walters has shown an interest, but I recognise that this is a question for our Departments rather than for negotiation with the Board.

This would, of course, rule out announcement of a new grant ceiling later this week. To defer announcement could however bring advantages by allowing us to consider whether we will need to increase the Board's 1981-82 EFL. Both you and Kenneth Clarke have implied that you think this inevitable, given the forecast overshoot of £70 million towards which the grant increase contributes. If it indeed proves necessary to increase the EFL, there would seem advantage in announcing the EFL increase and the grant increase together, perhaps with 1982 grant ceiling, rather than having a number of bites at the cherry.

I am copying this to the recipients of our earlier correspondence.

Leon
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com

LEON BRITTAN



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Prime Minister

(2)



J. Vereker
A. Daquid
A. Walters

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Mar 26/10

The Rt Hon Leon Brittan QC, MP
Chief Secretary to the Treasury
Treasury
Parliament Street
LONDON SW1

20 October 1981

Dear Leon

BRITISH RAIL PAY AND FINANCES

You wrote to Norman Fowler on 28 August with some questions about this year's settlement. My letter to you of 22 September, and Kenneth Clarke's of 2 October have set out the results of the pressure on the British Railways Board on their external financing requirements for this year and next.

I was a bit surprised by your descriptions of this year's pay settlement. The position is clear. The Board obtained from the Unions major new commitments to productivity changes, and a specific and tight timetable for completing the detailed negotiations including the pay changes for those staff whose responsibilities are directly affected. Having obtained that agreement, they accepted the pay increases that the McCarthy Tribunal had recommended, but they deferred the actual payment of the second instalment into next year, and they obtained agreement to finance the extra cost in part by a deferment of the start of the 39-hour week. The balance of the cost in the fiscal year is covered by faster demanning than they had budgeted for. Ministers agreed that these settlements were better than facing a railway strike.

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You expressed concern about the need to prevent the Board attempting to use the benefits of productivity improvements several times over. The way to do that is to concentrate on two things. The first is the change in the total pay bill from year to year. This captures all the changes in manpower numbers, wage rates, overtime working and special payments which may otherwise be hard to disentangle. The other, is the movement in railwaymen's average earnings compared to earnings in the economy as a whole. As you will know, on the most recent statistics their position is just about where it was 10 years ago; the Treasury's own study last year for the CBI showed that in all the other nationalised industries examined the average earnings had moved ahead of earnings in the economy as a whole.

I entirely share your view that their changing trading position makes it necessary for the Board to use all means to accelerate manpower and productivity changes, and they are under no illusion about that. But I cannot think you mean to suggest that some specific new productivity initiatives should be tied to electrification, for that would bring us into the position of bargaining directly with the Unions. I am sure we should stand on what we have said. We have said we must have new business plans for the commercial businesses, and have referred particularly to the need for new agreements on working practices to reduce costs in the freight business. We have said that progress on electrification will depend on the achievement of the changes necessary to secure manpower reductions and improvements in productivity. We have said that approval of each successive electrification project will be conditional on the profitability of the investment and on the achievement of necessary improvements in productivity. Nothing will be gained,

*Yes -
we made
this point
at the time*

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and a lot will be lost, if we start to claim that major advances by the Board in some sense do not count, and bombard Peter Parker with exhortations to do more.

Yours

David

DAVID HOWELL

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20 OCT 1981
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J. Vereker

①



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Prime Minister

This clarification of Transport's

obscure letter shows that the BR pay
assumption is 5.5% (6 October 1981
not 7%.

I suggest you say that 5.5% still seems
on the high side for British Rail - but note that
the substantive decision on this is for later - this now is
only an assumption in their EFL arithmetic.

Agree this line? ML 26/10

M Scholar Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

Dear Michael

You wrote to me on 12 October to say that the Prime Minister
had seen Kenneth Clarke's letter of 2 October to the Chief
Secretary and was concerned about the revised pay assumption
which underlines British Rail's external financing requirement
for 1982/3.

Yes
not

I fear that there may have been some ambiguity in the
drafting and that the Prime Minister may have gained the
impression that British Rail's revised assumption was for a
pay settlement of about 7%. This is not in fact the case.
British Rail's original assumption was for a settlement of
8.3%, about 2% below their estimate of inflation. The assumption
they are now making is for a settlement of 5.5%, that is some
3% below their previous figure and broadly in line with
assumptions being made elsewhere in the public sector. Since
the railwaymen's pay settlement comes at the end of the pay
round, and is bound to be influenced by the pattern of earlier
settlements, the Board do not consider that it would be realistic
to base their financial planning on the assumption that a
lower settlement will be achievable.

As Mr Clarke's letter said, the increase in the pay bill
resulting from an increase of this size, and taking account
of all changes, including the effect of past settlements, would be
about 5%.

Copies of this letter go to those who received yours.

Yours sincerely

Alice Baker

MRS E A BAKER
Private Secretary

CONFIDENTIAL

119 OCT 1981



COLLECTION



10 DOWNING STREET

From the Private Secretary

12 October, 1981

The Prime Minister has seen and noted Mr Kenneth Clarke's letter of 2 October to the Chief Secretary about British Rail External Financing Limits.

She has in particular noted the further reduction in the BR pay assumption described in the fourth paragraph of Mr Kenneth Clarke's letter. She has commented that she hopes that British Rail management can be persuaded to look yet again at this pay assumption, which seems high in relation to the 4 per cent pay factor which has been agreed for the public sector at large.

I am sending copies of this letter to the Private Secretaries to members of E Committee, Roderick Balme (Office of the Parliamentary Under Secretary, Department of Transport), and to David Wright and Robin Ibbs (Cabinet Office).

MS.

Anthony Mayer, Esq
Department of Transport

Rib

CONFIDENTIAL

2.



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

M.

ck Press
Mr Duquid
Mr Walters
Mr Venker

PRIME MINISTER

The announcement will have been made by the time you see this, but you

Mike Pattison Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

7 October 1981

may like to see the details. They are encouragingly modest this year. MAF/x

Dear Mike,

[The announcement has been brought forward from 19 October]

RAIL FARES

British Rail planned to announce this Friday 9 October details of the fares increase which will come into effect on Sunday 29 November. But in view of the speculation in Tuesday's New Standard they are bringing forward the announcement to tomorrow. The average fare increase will be 9.4%. There will be higher increases on services where there has been a recent improvement in quality, but there will be no general weighting of fares against commuters in the London and South East. I am attaching a note setting out the details of this increase and of previous ones.

This increase is below the current level of inflation (11.5%), but British Rail thought that any higher increase would cause unacceptable passenger resistance. As a result of the increased competition from long distance coaches, BR are making no increase in the costs of railcards and special promotional fares. The package will also include a popular decision to raise the present age limit for half-rate travel from 14 to 16 years of age. The present limit has caused a good deal of concern among parents having to meet the travel cost of sending their children to school and this move will, therefore, be widely welcomed. This concession will cost BR very little (£0-2m) in lost revenue. Finally, BR have been able to return to their previous policy of 12 monthly intervals between fares increases.

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As the increase is less than the rate of inflation, my Secretary of State would not expect the fares package to attract undue criticism. However, comparisons are bound to be made with the reduced fares structure which came into effect from 4 October on London Transport services. In the event of questions on this point, my Secretary of State will make it clear that it was only possible for LT fares to be reduced because of the increase in the subsidy given by the GLC which has had to be met by the ratepayers. He will make it clear that he is not prepared to increase the subsidy to BR in the same way as the reduction of public expenditure is a central Government aim.

I am sending a copy of this letter to the Private Secretaries to the Lord President, the Paymaster General, the Chief Secretary, the Secretary of State for Education and Science and Sir Robert Armstrong.

Yours,

Anthony Mayer

R A J MAYER
Private Secretary

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RAIL FARES

1. Decision on fares and tariff structures are solely the responsibility of BR under the Transport Act 1962. Ministers have no power to intervene although they have made it clear that they would disapprove of any attempt to weight fares against commuters in London and South East compared with other rail travellers.

PREVIOUS FARES INCREASES

2. Under the previous Government, fares rose by 168%. In 1975 when inflation was at its highest, there were three increases. Between January 1977 and January 1980, the Board managed to keep a 12 month's interval between fares increases, but last year fares were increased twice - by an average of 19.6% in January and by 18.5% in November, representing a cumulative increase of 41.7% and adding 0.23% to the RPI. A major reason for the November increase was last year's pay settlement. But BR were also badly affected by a fall in revenue due to the onset of the recession. In recognition of difficult trading conditions, the ceiling on the PSO grant was increased by £23m to £678m in order to help BR to meet their aim of holding fares at the same level for 12 months.

LATEST FARE INCREASE

3. The Board have been able to return to the pattern of twelve month intervals between fare increases and have decided on an average increase of 9.4% from 29 November. This increase will add about 0.07% to the RPI and means that there has been a cumulative increase under the present administration of 55%. The present increase will be about 2 points lower than the present inflation rate, but BR consider that this is the maximum increase the market will bear in view of its present depressed state, coupled with the increase in competition from Inter-City coach operators. The increase last November was 5% more than the inflation level and met greater than expected resistance from passengers. There will be no general weighting of the fares increase against L & SE commuters, although actual levels will vary between 7% - 11% due to minor adjustments on particular lines. Where ^{there} are inter-available services (ie stations with cross-platform interchanges between BR and LT services), BR have reduced their fares from 4 October so that they are consistent with LT's. BR estimate that this will produce a loss of £1m in revenue over the next year.

4. There will be slightly larger fare increases on Inter-City services on the East Coast Main Line where there has been an improvement in quality. But BR are disinclined to weight fares generally on Inter-City services because of competition from coaches. In addition, BR will not be increasing promotional fares or the price of railcards.

5. BR have decided to increase the age limit for half-rate rail travel from the present 14 to 16 years, in order to bring it into line with most other transport operators. The age limit had always been a contentious issue and has generated a good deal of correspondence. As a social concession this initiative is to be welcomed, although it will cost BR a small amount (£0-2m a year) in lost revenue.

6. BR estimate that this increase will produce a net increase in yield of 8.3% giving a revenue out-turn for 1982 of £1018m. The increase itself is expected to generate some £77m in additional revenue in a full year. The Department think that BR may be over-cautious in estimating the net yield.

PATTERN OF FARE INCREASES

7. The pattern of fare increases since 1974 is as follows -

1974	June	12.5%
1975	January	12.7%
	May	16.5%
	September	15.0%
1976	March	12.2%
1977	January	12.5%
1978	January	14.5%
1979	January	9.4%
		<hr/> 168.5%
1980	January	19.6%
	November	18.8%
1981	November	9.4%
		<hr/> 55%

... will be slightly lower than the increase in interest rates on the part of the bank. The whole thing has been an improvement in quality. But the distinction is not in the amount of interest but in the quality of the investment. In a similar way, the quality of the investment is not on the whole of the rate of interest but on the quality of the investment. We have had to increase the rate of interest on the part of the bank. The whole thing has been an improvement in quality. But the distinction is not in the amount of interest but in the quality of the investment. In a similar way, the quality of the investment is not on the whole of the rate of interest but on the quality of the investment.

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... estimate that this increase will produce a net increase in yield of 2.5% during a revenue out-turn for 1982 of \$100m. The Department is expected to generate some \$70m in additional revenue in a full year. The Department's total net revenue is estimated to be \$100m.

The pattern of the increase since 1976 is as follows:

Year	Month	Value
1976	June	12.5
1977	January	12.5
1978	July	12.5
1979	September	12.5
1980	March	12.5
1981	January	12.5
1982	January	12.5
1983	January	12.5
1984	January	12.5
1985	January	12.5
1986	January	12.5
1987	January	12.5
1988	January	12.5
1989	January	12.5
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2025	January	12.5
2026	January	12.5
2027	January	12.5
2028	January	12.5
2029	January	12.5
2030	January	12.5

CONFIDENTIAL

Prime Minister

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MR. SCHOLAR

Yes Mr

Agree that I should write as proposed at X?

cc: Mr. Hoskyns

MLS 7/10

BRITISH RAIL EXTERNAL FINANCING LIMITS

Mr. Clarke sent us a copy of his letter of 2 October to the Chief Secretary about British Rail's EFL. There is an important point concealed in this letter which I think worth drawing to the Prime Minister's attention.

When the Prime Minister held her meeting on nationalised industry pay on 7 September, it was agreed that sponsoring Ministers should make a particular effort to arrange for lower pay assumptions. The Chief Secretary suggested to Mr. Howell that BR's pay assumption of 8.3% should at least be halved. Mr. Howell has now suggested that one percentage point be knocked off the pay assumption, to a level about three points below the RPI percentage, i.e. about 7%. Against the background of BR's rather large settlement (11%) in the last pay round, and the probably phoney productivity deal, together with BR's continuing financial problems, it really does not seem right that we should be proceeding on the assumption that the pay of BR employees will increase by 3% more than in the public services.

x | If the Prime Minister agrees, therefore, I think it would be appropriate for you to write to the Chief Secretary saying that she has seen Mr. Clarke's letter and that she hopes that BR management can be persuaded to look yet again at the pay assumption.

6 October 1981

CONFIDENTIAL

CONFIDENTIAL BJK



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EE

My ref:

cc Mr Dupuid
Mr Wallen
J Verker

Your ref:

The Rt Hon Leon Brittan QC MP
Chief Secretary to the Treasury
Parliament Street
LONDON SW1

2 October 1981

Dear Sir,

JMS by m
CST's reply.

BRITISH RAIL: EXTERNAL FINANCING LIMITS

Since David Howell is away this week, I am writing, to meet your timetable, to give you the result of the further discussions with Sir Peter Parker about British Rail's external financing needs for this year and next, following the latest discussion at E Committee, your own letter of 29 September and Mr Ibbs' very helpful participation.

I am glad to say that the Board's continuing efforts to counter the abrupt fall in revenue this year are producing results. The latest forecast for their external finance requirement this year shows that the overshoot, above their EFL of £867m, has now been pulled back to £70m. The Board are seeking to make further progress, but David and I are satisfied there are no further options which could significantly reduce the overshoot in the remainder of this fiscal year. The moment has of course now passed at which we could have pressed the Board to go for higher increases in commuter fares even if we had wished to, since they must very soon announce the changes on which they have decided for the end of November.

At our insistence, Sir Peter Parker has thoroughly reviewed with his Board the best forecast they can make about the level of pay settlement they can aim to achieve next year. We put to them their own trading position, the Government's decision about the pay factor for the public services, the efforts of the CBI in the private sector and the possible range of settlements among the nationalised industries. At the same time, we made sure that all the costs in subsequent years of earlier settlements are properly included in the forecast of the paybill for next year (David Howell will be writing to you separately about your letter of 28 August to Norman Fowler).

The Board's planning so far had assumed that they could next year achieve a pay settlement some 2% below the rate of inflation. The result of their fresh review is that they will now aim some three percentage points less than that, and (seeing that there is very little wage drift on the Railway) the net cash increase in the paybill, taking account of all changes including the effects of past settlements, would be about five per cent. They regard this as a very demanding target and it means that they have accepted a new and hard negotiating strategy. Whether they can achieve

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this result depends of course very much on conditions at the time and in particular on how things go in other industries earlier in the pay round.

I now turn to the other points that you covered in your letter of 29 September. I begin by setting out what the Board themselves had identified by September, as a result of work earlier this year, as additional savings to be made in all the fields you mention. They had decided to reduce Inter-City train miles by some ten per cent in successive cuts up to October next year, and there will be reductions in the commuter rolling stock fleet, from shortening train lengths. They will cut some £90m from their planned engineering expenditure, some of it capital and some of it revenue. Overall, their planned investment had been reduced by over £100m to £400m. They had doubled, to some £20m, the reductions they were going for in administration costs. They were planning to cut manpower on the railway by a further 5,400 over the twelve months, and the management was determined to do better than that. In BREL, they were in the process of reducing manpower this year by some 1,600, they have cut out practically all overtime, and they are closing the Ashford Works. They have been examining what further reductions in BREL are needed to match the new levels of requirements.

This was the position before Norman Fowler and I had a meeting with the full Board at the beginning of September. David Howell and I had a further detailed discussion with Sir Peter Parker and his colleagues before writing to you on 22 September. It was in the light of this, that David concluded that he could press the Board for further savings totalling £40m in the fields of administration, train services, and workshops, together with some savings in working capital. To achieve these operating economies would certainly require further substantial reductions in manpower.

At the same time David concluded that he could impose a further cut of £15m in investment, so that in total provision for all major new projects (Jumbo Ferries, main line electrification, APT) has been cancelled or deferred, approaching £20m has been taken out of the investment plans of the subsidiaries, major reductions have been made in the plans for engineering equipment and maintenance depots, and the rolling stock builds have already been scaled down, particularly on the freight side. David and I are now quite convinced that there is really nothing to go for here without precipitating a confrontation with the Board about the future size of the railway.

We have to consider the effect of the new pay assumption on top of the savings that have been identified. The Board are very concerned indeed that the new bargaining strategy to achieve the pay objective could slow down the achievement of economies in other fields. They argue that some allowance must be made for the prospect that the other savings cannot all be achieved in the time. The Board now propose therefore that their external financing requirement can be reduced from £1,018m to £990m. Their strong view is that any lower figure would be imposed and unreal. We should not underestimate the difficulties they will face to reach this figure. The full savings from the new pay assumption would

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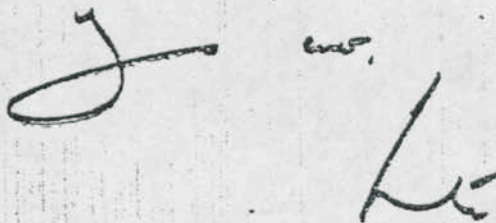
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produce an EFL of £975m; but this assumes that everything goes well inside and outside the railways. I do not see how we could put forward any lower figure, as arrived at from any considered judgement of the Board's situation. The danger of an arbitrary figure is the temptation to management to ignore it in policy and pay bargaining.

It will be clear from what I have said that these figures do not allow for any carry-over from this year.

Finally, we have reviewed the position of the British Transport Docks Board and the National Bus Company in the later years, though we certainly hope that the BTDB will move into the private sector during the period. The proposals which we have made represent a significant cut on what both of the industries have themselves proposed, despite the worsening trading prospects to which David Howell's letter of 22 September drew attention. We are quite prepared to explain to the Boards the basis of the cuts we have made; but to impose figures which are lower still would take us beyond that point. I hope therefore that you can agree that our proposed figures should stand.

I am sending copies of this letter to the Prime Minister, other members of E Committee and to Sir Robert Armstrong and Mr Ibbs.

A handwritten signature in black ink, appearing to be 'K. Clarke', written in a cursive style.

KENNETH CLARKE

CONFIDENTIAL



*At the request
of the Secretary*

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon David Howell MP
Secretary of State
Department of Transport
2 Marsham Street
London SW1P 3EB

ms

29 September 1981

Dear Secretary of State,

BRITISH RAIL: EXTERNAL FINANCING LIMITS

TPM
You wrote to the Chancellor before E(NF) on 16 September about the prospects for reducing BR's prospective overshoot of £84 million of their 1981-82 EFL. You also wrote to me on 22 September, in the context of our discussions of the nationalised industries' Investment and Financing Review, setting out proposals for BR's 1982-83 EFL and their estimated financing requirements in later years. I hope you agree that it is convenient to look at the scope for containing BR's financing requirements in the current and in the future years together.

I appreciate the efforts you have made to bring the Board to face the realities of their financial position and to start making the changes necessary to improve it. The £95 million savings which you have already secured from the Board are a significant step forward. Nevertheless, the further deterioration in business prospects now foreseen by the Board underlines the need to explore every possibility for further savings, unpalatable as some of these may be to the industry. E concluded on 23 September that Ministers should reconsider with their industries the scope for securing the savings we agreed in July should be found from the nationalised industries. It might be useful before you resume your discussions with Sir Peter Parker if I set out here some of the areas where I hope in particular you will press the Board to consider further the scope for savings.

My comments are also relevant to the position in 1981-82, although I am conscious that practical constraints bear more heavily on the ability of the Board to implement further measures to reduce their prospective EFL overshoot. As you say, we shall need to consider the possibility of increasing the EFL when we come to settle a revised level of grant for BR, but I shall be extremely reluctant

to agree to this. In the meantime, I hope you will also review the position in 1981-82 further in your discussions with the Board. If there are options which could significantly reduce the prospective overshoot, I think these should be identified if we then decide their disadvantages outweigh the benefit in particular cases: even modest savings would be worthwhile and I certainly cannot agree at this stage that any overshoot of this year's EFL, should not be offset against next year's EFL.

With these thoughts in mind, one of the areas which I hope could be explored further with the Board is pay. Realistically, the scope for reducing the cost of the current year's settlement (about which I wrote to your predecessor on 28 August) must be limited. But I believe the Board should be pressed to reconsider their assumption of a settlement of 8.3% next year. I do not favour simply writing down the Board's assumption, but their financial position and developments in the pay field, particularly amongst hard pressed private sector companies, provide ample evidence to place before the Board of the necessity of a substantial revision of their own plans. Any private sector business in the Board's position would think twice about a settlement at even half the level presently assumed by the Board. So should the Board.

I know you have looked carefully at current costs but in the circumstances I think it is worth examining the possibility of bringing forward or extending the scope of planned measures in some areas. One of these is administration costs, where I do not think anyone disputes the availability of savings, depending on the management's ability and will to secure them. In this context I question whether the Board are doing everything to shed administration costs as rapidly as possible in the sort of way which, for example, we have recently seen with British Airways. I am sure this is an area that should be explored further with the Board.

Other areas which I think should be considered with the Board with a view to making substantial further cost reductions include the timing and extent to which overcapacity in British Rail Engineering Limited is being rationalised; and the scope for increasing and bringing forward reductions in services to match demand. On this latter point, it would be useful to know what reductions are assumed in the Board's planning figures as well as the scope for improving on these.

While I appreciate that working capital has been squeezed fairly steadily over the last 18 months, I wonder whether there is scope for a further sustained reduction. Even a modest reduction in the level of stocks, for example, in an industry the size of British Rail can secure significant financial benefit.

Finally, I think a further look at the Board's investment programme is unavoidable. I know you have pressed the Board on investment, but equally one would expect a rapid scaling down of capital programmes by an industry in BR's position. I think the Board must demonstrate that investment plans in the commercial businesses (including subsidiaries) are being rapidly and sufficiently adjusted in line with the deterioration foreseen in the Board's

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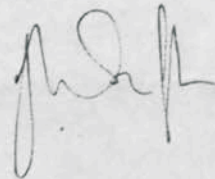
business results as a result of lower freight and passenger traffic. And while much of the Board's investment is inevitably non-commercial in nature, the appalling decline in the Board's financial position argues strongly for deferment of anything other than absolutely essential items.


You also touched in your letters on the position of the three other transport industries which are your responsibility. So far as the current year is concerned, I agree that the sensible course is to review the position of the British Transport Docks Board when we are clearer about the extent to which they have benefited from the special severance scheme. With regard to the later years, the progress you have made in securing the required savings in 1982-83 is most welcome but I am concerned about the deteriorating position, relative to the reductions required, in the last two years of the period. The National Freight Company is clearly in a special position and in view of the prospect of imminent privatisation I do not suggest you pursue further with them now the question of reductions in later years. If privatisation fell through, we would need to reopen the issue. But I hope you will consider with NBC and BTDB whether the later years offer scope for further reductions. In the latter case in particular, there is some suggestion that the Board is taking an overly pessimistic view of the outlook and that a more balanced assessment would provide some scope for improving their results.

If you feel there are problems in proceeding on these lines, it might be useful if we had an early meeting. I am bound to say however, that I shall be extremely reluctant to agree to an EFL for 1982-83 any higher than that implied by proposals in E(81)79 which E endorsed last July.

I am copying this letter to the Prime Minister, members of E and Sir Robert Armstrong.

yours sincerely



 LEON BRITTAN

[Approved by the Chief Secretary
and signed in his absence]

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cc Chief Secretary, Treasury.
Mr. Lankester ✓
Mr. Wolfson ✓
Mr. Hoskyns T
Mr. Duguid



10 DOWNING STREET

8 September 1981

Dear Sir Peter,

As a consequence of the various reviews that have been taking place on British Rail's policies and prospects, I, along with the Policy Unit, have been considering whether it would be advisable to take another look at the method of subsidising rail passenger services.

As we understand it, the passenger grant is fixed in advance and subject to adjustment by reference to predetermined factors. If there is a shortfall in receipts, let us say because there are fewer passengers than anticipated, then the grant is increased, as explained in the third paragraph of your Minister's letter of 28 July.

The difficulty with this system of subsidy is that the subsidy per passenger increases as the number of passengers fall. Even if the additional grant were fixed, the subsidy per passenger would increase. But with the additional financial subvention, the per passenger subsidy increases even more as the number of passengers fall.

For various reasons, it seems to us the best way to operate the subsidy is to fix the amount per passenger or better per passenger mile. (There are obviously a large number of other alternatives, such as per revenue mile, etc. But leave these aside for the moment.) A subsidy per passenger, or per passenger mile, would induce more sensible behaviour on the part of the railways. They would compete more vigorously for passenger traffic by cutting fares, rearranging schedules, etc. Similarly, they would be induced to tailor their services more finely to the demand and the subsidy per passenger, or per passenger mile, would be much more "visible". It would be perhaps a little surprising to discover that on some services the subsidy was perhaps three or four times the fare.

I realise, of course, that there are a lot of administrative difficulties with such a scheme. But we thought it would be worth at least a first review.

Yours sincerely,
A. A. Walters

Sir Peter Baldwin, KCB,
Department of Transport.

*L. Mr Walters
Mr Duguid
Mr Venner.*



Mr. Transport
Prime Minister

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Norman Fowler MP
Secretary of State
Department of Transport
2 Marsham Street
London SW1P 3EB

28 August 1981

Dear Norman,

mf

BRITISH RAIL PAY AND FINANCES

You reported in your minute to the Prime Minister of 21 August the outcome of the discussions on pay and productivity which have been taking place under the auspices of ACAS between British Rail and the rail unions. The lifting of the threat of industrial action is of course very good news and, as you say, the productivity side of the agreement offers an opportunity for real progress on the railways. Clearly much will depend on the detailed negotiations over the coming months and I hope you will be able to keep us in touch with these. In the meantime, there are one or two points arising from the settlement which I think can and should be clarified now.

With regard to the immediate financial implications, I am glad that British Rail can meet the cost of settlement without increasing their need for external finance in 1981-82 by the £9-13 million which had previously been thought might be necessary. This does not, however, detract from the need to tackle their existing overshoot of some £70 million. I emphasised in my letter of 3 August the need to keep up the pressure on the Board on this score, and I hope that you will use the opportunity of your discussions with Sir Peter Parker in early September to confront him plainly with the need to reduce BR's excessive financing requirement.

On the productivity side we shall need to take stock when we know precisely what changes will actually take place and when. But it is worth mentioning now one aspect of this part of the settlement which causes me considerable concern, namely the little publicised clause reaffirming that

"Specific rewards will be negotiated for those staff whose responsibilities are directly affected under these agreements."

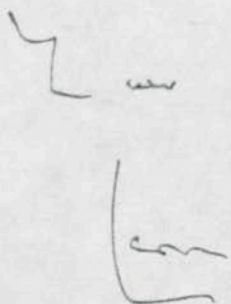
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The Board have already conceded an additional 3% on this year's pay settlement, supposedly in return for these undertakings on productivity. The prospect of yet more payments further reduces the long term net benefits of these changes to the Board and in the short term will add directly to their costs. I am not clear how the Board justify this part of the agreement and I would be grateful for any light which you can shed on this.

The possibility of further payments also underlines the point I put to you in my letter of 30 July about the need to prevent the Board attempting to use the benefit of productivity improvements several times over. These productivity improvements have already been largely mortgaged to finance this year's pay settlement and I see that the consequent need to seek new productivity initiatives to finance investment and electrification was recognised at the meeting held by the Prime Minister of 20 August.

✓ We cannot allow the Board to believe that what they have secured is in any way sufficient to justify electrification. I hope therefore that you will use the opportunity of your meeting with Sir Peter Parker in early September to impress upon him the need for new and specific productivity initiatives for this purpose. It would be useful to know as early as possible if there is any problem in identifying or securing the Board's acceptance of the need for new initiatives.

I am copying this letter to the Prime Minister, to Willie Whitelaw, Geoffrey Howe, Keith Joseph, Jim Prior, John Nott, David Howell and to Sir Robert Armstrong.



LEON BRITTAN

SEP 1 1981

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26 August 1981

The Prime Minister has seen and noted your Secretary of State's minute of 21 August reporting the agreement reached between British Rail and the rail unions on that day.

I am sending a copy of this letter to David Wright (Cabinet Office).

M A PATTISON

Anthony Mayer, Esq.,
Department of Transport.

JMP



10 DOWNING STREET

PRIME MINISTER

Mr. Fowler's officials stand by his attached report, despite the weekend media reports of confusion over the agreement. BR are, apparently, clear in their minds that the commitment to detailed productivity discussions is linked to the agreement to pay an extra 3% - backdated - on 1 January.

MA

MS

24 August 1981

CONFIDENTIAL

PRIME MINISTER

RAIL PAY AND PRODUCTIVITY

All the rail unions have now announced their acceptance of the agreements with British Rail on pay and productivity under the auspices of ACAS. I have welcomed this as an important step towards a more efficient and cost-effective railway. At the same time I have warned that no one should be in any doubt about the urgent problems the industry faces. I shall in fact be having a full discussion of these problems with Sir Peter Parker and his Board in early September.

We have all attached great importance to British Rail's strategy, in their Corporate Plan, to reduce the railway's manpower needs by 38,000 jobs over 5 years. Today's agreement, now to be followed by much detailed negotiation, will produce an important contribution to that but there is more still to come. Today's agreement contains an explicit commitment by the parties to continuing progress. Sir Peter Parker has spoken of taking 14,000 men off his payroll in two years, and the progress on this helps to finance the settlement.

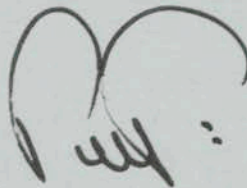
I think it is worth underlining that the settlement gives railwaymen nett pay increases below 10% in the year - because the 3% is retrospective only to August, and is partly offset by the deferment of the 39 hour week that was won from the Unions in the last hours of the negotiations.

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Sir Peter Parker has done well, under the handicap of the McCarthy Tribunal, to win a major movement on productivity on these terms - without in the result increasing the Board's needs for external finance on this account in 1981/82.

I am copying this to all Cabinet colleagues and to Sir Robert Armstrong.



NORMAN FOWLER

21 August 1981

CONFIDENTIAL

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copies to
Nat Ind. Coal Plc

File



Transport 289

cc: Mr. Hoskyns
cc: Amr

SUBJECT

10 DOWNING STREET

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From the Private Secretary

21 August 1981

amaster
+ Nat Ind. Coal
PE4

Dear Julian

THE IMPLICATION OF A RAIL STRIKE FOR POWER STATION COAL STOCKS

I wrote to Anthony Mayer yesterday following the Prime Minister's meeting about the threatened rail strike, to record the conclusions reached which related directly to that dispute. But a number of other points were made relating to the impact of a rail strike on power station coal stocks and to the work on increasing power station coal stocks which is currently in hand in a wider context, which I am recording separately because of the sensitivity of the issues involved.

It was agreed that as a contingency measure whatever steps might be necessary should be taken immediately to put the Electricity Boards in a position to burn the maximum possible extra oil in the power stations from the start of a rail strike, should the present negotiations fail to lead to a settlement, so that power stations coal stocks could be made to last for as long as possible. The Minister of State for Energy said that doing so would add a further 2 weeks to the 7-8 weeks endurance already offered by power station coal stocks, at a cost of about £200 million. It was agreed that the Electricity Boards should be authorised to make the necessary oil purchases, but that every effort should be made to avoid these measures becoming generally known.

The Prime Minister expressed herself dissatisfied with the progress made so far on increasing power station coal stocks. She pointed out that in 1978 power station coal stocks were significantly higher than at present and that this had been achieved without trouble from the trade unions, which was given as the main reason for not pressing on harder now with increasing stocks. In her view the aim should be to increase power station coal stocks as quickly as possible at least to their 1978 level. I know that work on increasing power station coal stocks this year and next is already in hand in MISC 57. Officials will therefore wish to take the Prime Minister's comments into account. In the light of her comment I think the Prime Minister would welcome a full progress report in due course from MISC 57. The point was also made that in the event of a rail strike every

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see Nat Ind
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possible source of energy supply should be fully utilised, including the maximum possible use of nuclear power stations, the use of gas in the power stations as a means of conserving coal stocks, the increased use of coastal power stations for which coal supplies might be more assured and increased transport of coal by road.

Finally, the question was raised whether the threatened rail strike might afford a good opportunity for discussions with the Railways Board about the training of servicemen to drive coal trains from the mines to the power stations, but it was generally agreed that this should not be pursued at the present time.

I am sending copies of this letter only to John Wiggins (HM Treasury), Anthony Mayer (Department of Transport), Godfrey Robson (Scottish Office) and David Wright (Cabinet Office). I should be grateful if you, and they, would arrange for it to be circulated on a strictly "need to know" basis.

Yours ever

Mike Pattison

Julian West, Esq.,
Department of Energy.

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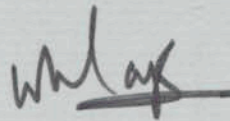
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R PATTISON
c Mr Cloke

RAIL STRIKE

I attach a draft letter for you to send to the Department of Energy recording the points made at the Prime Minister's Meeting this morning relating to power station coal stocks etc. As you know, this is a sensitive issue, and I have therefore suggested that you should copy the letter not to the offices of the Ministers who were present this morning, not all of whom have been involved in this work in the past, but to those Ministers who have been directly concerned and who need to have a record of this part of the discussion.

2. I have also included the suggestion that MISC 57 might produce a progress report in due course on steps to maximise power station coal stocks next year. The Prime Minister is clearly dissatisfied with the progress being made and I am sure that she would therefore find it helpful to have a further report at an appropriate moment from MISC 57, rather than merely relying on the Department of Energy.



WILLIAM MOYES

20 August 1981

Enc

DRAFT LETTER FOR MR PATTISON TO SEND TO
JULIAN WEST, DEPARTMENT OF ENERGY

THE IMPLICATION OF A RAIL STRIKE FOR POWER STATION COAL STOCKS

1. I wrote to Anthony Mayer yesterday following the Prime Minister's meeting about the threatened rail strike, to record the conclusions reached which related directly to that dispute. But a number of other points were made relating to the impact of a rail strike on power station coal stocks and to the work on increasing power station coal stocks ^{which is} currently in hand in a wider context, which I am recording separately ^{because} of the sensitivity of the issues involved.
2. It was agreed that as a contingency measure whatever steps might be necessary should be taken immediately to put the Electricity Boards in a position to burn the maximum possible extra oil in the power stations from the start of a rail strike, should the present negotiations fail to lead to a settlement, so that power stations coal stocks could be made to last for as long as possible. The Minister of State for Energy said that doing so would add a further 2 weeks to the 7-8 weeks endurance already offered by power station coal stocks, at a cost of about £200 million. It was agreed that the Electricity Boards should

be authorised to make the necessary oil purchases, but that every effort should be made to avoid these measures becoming generally known.

2. The Prime Minister expressed herself dissatisfied with the progress made so far on increasing power station coal stocks. She pointed out that in 1978 power station coal stocks were significantly higher than at present and that this had been achieved without trouble from the trade unions, which was given as the main reason for not pressing on harder now with increasing stocks. In her view the aim should be to increase power station coal stocks as quickly as possible at least to their 1978 level. I know that work on increasing power station coal stocks this year and next is already in hand in MISC57. Officials will therefore wish to take the Prime Minister's comments into account. In the light of her comment I think the Prime Minister would welcome a full progress report in due course from MISC57. The point was also made that in the event of a rail strike every possible source of energy supply should be fully utilised, including the maximum possible use of nuclear power stations, the use of gas in the power stations as a means of conserving coal stocks, the increased use of coastal power stations for which coal supplies might be more assured and increased transport of coal by road.

3. Finally, the question was raised whether the threatened rail strike might afford a good opportunity for discussions with the Railways Board about the training of servicemen to drive coal trains from the mines to the power stations, but it was generally agreed that this should not be pursued at the present time.

4. I am sending copies of this letter only to John Wiggins (Treasury), Anthony Mayer (Transport) Godfrey Robson (Scottish Office) and David Wright (Cabinet Office). I should be grateful if you, and they, would arrange for it to be circulated on a strictly "need to know" basis.

*Dictated by Secretary
1945hr 20/8/81*

CONFIDENTIAL

PRIME MINISTER

RAIL PAY AND PRODUCTIVITY

The meeting under the auspicious of ACAS has concluded tonight with the Unions taking separate proposals on productivity and pay back to their Executives. The Executives of all three Unions will be having a joint press conference at 2.30 pm tomorrow to announce their decision on whether the strike is to go ahead or not.

The propositions are separate ones for productivity and pay. On productivity it is exactly as I outlined this morning together with a reference to maintaining the momentum of the strategy of change. On pay, the Board has secured an arrangement for no increase beyond 8% to be paid before 1 January 1982, but the 3% would then be paid retrospectively from August this year. The cost of this 3% would be fully met by two months postponement of the move hitherto scheduled for November to a 39 hour week and by other measures. But the major contribution to financing the 3% will come from the faster demanning which I explained this morning. The effect is that the Board are now in balance with their original provision in their budget for pay for their workforce in 1981/82. I understand that the Unions are not intending to give any further publicity to making any further statements tonight, and I intend to do the same. I will report to you tomorrow on the outcome.

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I am sending copies of this minute to Willie Whitelaw, Geoffrey Howe, Keith Joseph, Jim Prior, John Nott, David Howell and Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'N. Fowler', is written over a horizontal line.

NORMAN FOWLER

20 August 1981

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

20 August 1981

*file RB
cc As below
+ Wolfson
Hoskyns
master*

RAIL STRIKE

The Prime Minister held a meeting here this morning to discuss the threatened rail strike. Those present were your Secretary of State, the Secretaries of State for Industry and Employment, the Financial Secretary, Treasury, the Minister of State for Energy, Sir Peter Baldwin (Department of Transport), Mr. Wake (Department of Employment) and Mr. Moyes (Cabinet Office).

Mr. Fowler reported that discussions between the Railways Board and their trades unions which have been taking place since the beginning of this week under the auspices of ACAS appeared to have made good progress and were to be resumed later today. Although no formal announcement had been made on the position reached so far by any of the three parties to the talks, he understood that the unions were now prepared to concede the five changes in working practices which the Railways Board has been seeking, namely driver-only train operation, more single manning of trains, a commitment to the introduction of the "trainman", more flexible rostering and the introduction generally of open stations. Taken together these changes in working practices would enable BR to reduce its manpower requirement by 6,000 on top of the reduction of 28,000 which had already been achieved towards the Railways Board's target of a reduction in manpower of 35,000. These measures, if finally agreed, would save the Railways Board about £30 million per annum against the cost in a full year of £40 million for the extra 3 per cent pay award which had been recommended by the Railways Staff National Tribunal and which the Railways Board had already agreed to pay subject to binding agreements on the five productivity improvements mentioned above. The only obstacle to agreement now seemed to be the date from which this extra 3 per cent should be paid. The Railways Board's present position was that it should be paid from 1 January 1982, but they would probably be pressed to compromise - payment dates of 1 September, October and November were mentioned at various points in the discussion - as a means of achieving agreement. If BR were eventually to agree to payment from a date earlier than 1 January 1982 they would insist on detailed productivity agreements being signed before the money was actually paid, and the award would therefore probably be backdated. The cost in the present year of payment earlier than 1 January would probably be in the range £9-13 million, for which BR would not be able to find offsetting savings. He was seeing Sir Peter Parker later today and hoped that it would be possible for him to authorise

CONFIDENTIAL / Sir Peter Parker

Sir Peter Parker to seek to conclude a settlement on this basis. The direct costs of a rail strike would be very much greater than the likely costs involved in achieving a settlement on the lines he had described. But if, in the event, BR and the unions failed to reach agreement, contingency plans to cope with the consequences of a rail strike were well advanced and the problems which had emerged so far were being tackled.

The Prime Minister, summing up the discussion, said that the meeting was agreed that your Secretary of State should authorise Sir Peter Parker to seek to conclude an agreement on the basis which had been described. Ministers recognised that BR might have to compromise on the date from which the extra 3 per cent was to be paid as a means of reaching agreement, and that this might involve a small increase in BR's External Finance Limit for this year, probably in the range of £9-13 million. But this was a price worth paying to avoid a rail strike. However, it was essential that binding agreements should be concluded on the five productivity improvements sought by BR before the money involved began to be paid. If agreement were reached on this basis both ACAS and BR's negotiators would have done a good job. However, there were many other desirable productivity improvements to be achieved on the railway and it would therefore need to be made clear to BR at some stage that productivity improvements agreed in the context of pay could not also be used as justification for railway electrification; further productivity improvements would be required before any electrification schemes could be approved. If in the event agreement was not reached between BR and the unions, Ministers should meet again early next week to review the position.*

I am sending copies of this letter to the Private Secretaries to those who attended this morning's meeting, to John Halliday (Home Office), Brian Norbury (Ministry of Defence) and David Wright (Cabinet Office).

M. A. PATTISON

Anthony Mayer, Esq.,
Department of Transport.

*The Prime Minister asked that those present at the meeting should be available for a further meeting at 1130 on Monday 24 August if negotiations broke down.

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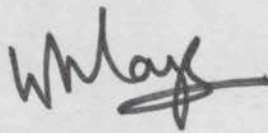
F.O

MR

MR PATTISON

cc Mr Cloke

I attach a draft letter for you to send to the Department of Transport recording the main points at the Prime Minister's meeting this morning. I shall let you have a separate letter dealing with the points made about coal stocks etc as soon as possible.



W MOYES

20 August 1981

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DRAFT LETTER FOR MR PATTERSON TO SEND TO MR MAYER, DEPARTMENT OF TRANSPORT

RAIL STRIKE

The Prime Minister held a meeting here this morning to discuss the threatened rail strike. Those present were your Secretary of State, the Secretaries of State for Industry and Employment, the Financial Secretary, Treasury, ^{the} Minister of State for Energy, Sir Peter Baldwin (Department of Transport), Mr Wake (Department of Employment) and Mr Moyes (Cabinet Office).

Mr Fowler reported that discussions between the Railways Board and their trades unions which have been taking place since the beginning of this week under the auspices of ACAS appeared to have made good progress and were to be resumed later today. Although no formal announcement had been made on the position reached so far by any of the three parties to the talks, he understood that the unions were now prepared to concede the five changes in working practices which the Railways Board has been seeking, namely driver-only train operation, more single manning of trains, a commitment to the introduction of the "trainman", more flexible rostering and the introduction generally of open stations. Taken together these changes in working practices would enable BR to reduce its manpower requirement by 6000 on top of the reduction of 28000 which had already been achieved towards the Railways Board's target of a reduction in manpower of 35000. These measures, if finally agreed, would save the Railways Board about £30m pa against the cost in a full year of £40m for the extra 3 per cent pay award which had been

CONFIDENTIAL

recommended by the Railways Staff National Tribunal and which the Railways Board had ^{already} agreed to pay subject to binding agreements on the five productivity improvements mentioned above. The only obstacle to agreement now seemed to be the date from which this extra 3 per cent should be paid. The Railways Board's present position was that it should be paid from 1 January 1982, but they would probably be pressed to com promise - payment dates of 1 September, October and November were mentioned at various points in the discussion - as a means of achieving agreement. If BR were eventually to agree to payment from a date earlier than 1 January 1982 they would insist on detailed productivity agreements being signed before the money was actually paid, and the award would therefore probably be backdated. The cost in the present year of payment earlier than 1 January would probably be in the range £9-13m, for which BR would not be able to find offsetting savings. He was seeing Sir Peter Parker later today and hoped that it would be possible for him to authorise Sir Peter Parker to ^{seek to} conclude a settlement on this basis. The direct costs of a rail strike would be very much greater than the likely costs involved in achieving a settlement on the lines he had described. But if, in the event, BR and the unions failed to reach agreement, contingency plans to cope with the consequences of a rail strike were well advanced and the problems which had emerged so far were being tackled.

The Prime Minister, summing up the discussion, said that the meeting was agreed that your Secretary of State should authorise Sir Peter Parker to seek to conclude an agreement on the basis which had been described. Ministers recognised that BR might have to compromise on the date from which the extra 3 per cent was to be paid as a means of reaching agreement, and that this might involve a small increase in BR's External Finance Limit for this year, probably in the range of £9-13m. But this was a price worth paying to avoid a rail strike. However, it was essential that binding agreements should be concluded on the five productivity improvements sought by BR before the

money involved began to be paid. If agreement were reached on this basis both ACAS and BR's negotiators would have done a good job. However, there were many other desirable productivity improvements to be achieved on the railway and it would therefore need to be made clear to BR at some stage that productivity improvements agreed in the context of pay could not also be used as justification for railway electrification; further productivity improvements would be required before any electrification schemes could be approved. If in the event agreement was not reached between BR and the unions, Ministers should meet again early next week to review the position.

I am sending copies of this letter to the private secretaries to those who attended this morning's meeting, to John Halliday (Home Office), Brian Morbury (Ministry of Defence) and David Wright (Cabinet Office).

3 19 August 1981

Policy UnitPRIME MINISTERBRITISH RAIL STRIKE THREAT

We have not had much time to prepare for tomorrow's meeting, but I have spoken to David and Norman, and also to Adam. A few thoughts for tomorrow's discussion.

1. We are concerned that the Department of Transport is seeking your permission to "chicken out" and relax the pressures on Peter Parker. You should not concede an inch to Norman Fowler at tomorrow's discussion, if he does in fact request it. If the Government maintains its present position vis a vis British Rail for the moment, it is always possible to make some concessions later if further thinking shows that avoidance of a strike is crucial, rather than simply desirable. In contrast, any concession made at this stage can not be clawed back later.
2. We believe that further analysis will show that, almost regardless of the apparent risk and regardless of dire warnings from CCU etc, we probably have no option but to face the strike. It would be very sad to come to that conclusion after we had made the first fateful concessions to Parker.
3. If the Government is seen to relax in any way its constraints on BR, in order to allow Parker to win peace, the NUM (its own militants frustrated at the opportunity denied, for a "triple alliance" attack on the Government) will know that we are a push-over for anything they want to demand when their negotiations start. No other nationalised industry chairman will take the EFLs for the coming year seriously. Having had to give on defence, almost certainly having to pay some more on Toxteth etc, a concession on BR would amount to abandoning the struggle.
4. In fact, we suspect that further work will show that there would not be a great deal of support for the strike and it will certainly be intensely unpopular (all helpful for the follow-up to the Green Paper, the public mood towards the NUM later). More important, the British Rail strike does not really hinge on our ability to move coal on this particular occasion. We already know that there is little scope for increasing power station coal stocks by rail

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movements before the winter, so a rail strike does not alter the balance of power with the NUM significantly.

5. Paradoxically, an early rail strike may even weaken the NUM position in the following way. Pithead stocks are already high and there may come a moment at which miners could be sent home without pay because it is not possible to store further coal at the pitheads. Sending miners home would be regarded as a "lock-out" and virtually produce a miners' strike. But that strike might start much earlier (from the coal consumption point of view) than the miners would like; after all, they would not willingly choose to confront the Government during the late summer.

6. The possible advantage suggested in paragraph 5 above may not in fact exist - we simply don't have the figures and have not had time to look into it. But our real point is that, even if that is not the case, in facing NUR/ASLEF, with the NUM and the nationalised industry EFLs close behind and an extra bill for Toxteth etc looming, we have our backs to the wall, with an enemy who don't take prisoners. So, for the time being at least, we should behave as if we are prepared to slug it out. If we do that, we have nothing to lose in the short term (and probably not in the long). If we don't, then the miners will simply sort us out later, when the weather is cold.



JOHN HOSKYNs

SECRET



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PRIME MINISTERRAIL STRIKEBackground

1. You are meeting with the Secretary of State for Transport and Ministers from the Departments of Employment, Energy and Industry on Thursday to consider the threatened rail strike, about which the Secretary of State for Transport minuted you on 11 August. The CCU assessment of the consequences of a strike and of the steps the Government could take to alleviate them was circulated by the Home Secretary's Office on 7 August.

2. The prospects for an early settlement do not look good. The Railways Board wrote last week individually to each member of its workforce explaining the likely consequences for the industry of a strike and setting out in some detail the changes in working practices that they are seeking. There has also been considerable press coverage of BR's estimates of the consequences of even a two-week strike - the permanent loss of perhaps £150 m p.a. in revenue and of 20,000 jobs. But the trades unions regard the implementation of Railway Staffs National Tribunal (RSNT) recommendations as a matter of principle and, so far, show no signs of being prepared to back down. The Railways Board is being equally firm in demanding binding assurances on fundamental changes in present working practices as the price for implementing the second stage of the RSNT award. ACAS is informally in touch with both sides, but there is insufficient common ground for them to play a useful role yet.

3. The trade unions are publicly committed to an all-out strike from 31 August, and this still seems the most likely tactic for them to adopt, although the Scottish section of ASLEF have been reported in the press as pressing for a period of work to rule first. There were also press reports last week that the ASLEF branch in London Transport (LT) might be persuaded to come out on strike in sympathy with their BR colleagues, which, at best, would seriously affect services and, at worst, might

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bring the Underground to a halt. There is, however, little incentive for them to do so, since LT employees are already receiving the RSNT award in full; and LT management have already made it clear to their unions that they would take firm action to counter a sympathy strike.

4. Against that background you will want to consider what stance the Government should adopt and what the main consequences of a strike are likely to be. The effects of a rail strike would be widespread, but the most important areas are likely to be London commuters and power station coal stocks.

5. The Railways Board has been successful in establishing in the public mind that the dispute is not about the amount of money on offer but about the need for fundamental changes in working practices, and that the dispute is entirely between the Board and its trade unions. The Secretary of State for Transport is firmly of the view that since the Government is not seen as a party to the dispute, it should not seek to intervene and that, in any case, it has few useful cards to play; threats, for example to look again at the case for railway electrification would simply harden trade union attitudes. I can see no grounds for questioning this approach.

6. The main action for the Government therefore seems to be to prepare to cope with the consequences of a rail strike and to be seen by the public to be doing so. The Secretary of State for Transport will report at the meeting on the steps he intends to take to ease traffic congestion in London and to facilitate the provision of new bus services, and on how these are to be publicised, starting next week. He has also agreed with the Home Secretary that servicemen should be brought in during the course of next week to provide extra car parking in London, although the precise timing of doing so is for further consideration. The Secretary of State for Transport does not, however, favour an early proclamation of a State of Emergency. There are some doubts as to whether the legal tests for proclaiming a State of Emergency could be fulfilled right at the start of a strike and, in any case, there seems to be no operational need early in a strike for any of the emergency powers which can be taken following the proclamation of a State of Emergency. I do not think you need consider these arrangements in any detail, provided you are broadly content. It can be left to CCU or the Ministers directly concerned to sort out any points of difficulty which may arise.



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7. Coal stocks at the power stations currently offer 7-8 weeks endurance in the absence of restrictions on electricity consumption. Therefore, if a rail strike were to last that long (which is by no means impossible) power station coal stocks would be beginning to be exhausted by the time of the miners' pay settlement date of 1 November. But, as the MISC 57 report, which the Home Secretary submitted to you on 22 July, demonstrated, there is very little that can be done in the short term, other than to burn extra oil as a means of conserving power station coal stocks. A decision to do so would be required soon, since it is necessary to burn the maximum possible extra oil for 8 weeks to extend by 2 weeks the endurance offered by power station coal stocks. The cost of purchasing this extra oil would be about £200 m. If a rail strike seemed set to last for a long time it might become necessary to consider statutory restrictions on electricity consumption, but that is clearly not a step which you would want to consider at this stage.

8. If power station coal stocks are low by the autumn the chances of securing a relatively low pay settlement for the miners must be very slim, with implications for pay expectations generally and for the level of settlements in the other monopoly utilities in particular. It might also prove difficult to achieve the 18-20 weeks endurance by November 1982 for which Ministers have already decided to aim, although it might be possible in the immediate aftermath of a rail strike and once the miners had settled this year to get back on target for this through extra overtime working without provoking further difficulties with the trades unions.

9. Consideration of the impact of a rail strike on power station coal stocks raises the question of whether there might now be an opportunity to explore with BR management whether servicemen could be used to drive trains between the pits and the power stations in the event of a miners' (or rail) strike. You will recall that the MISC 57 report identified access to NCB coal stocks as by far the main way by which endurance could be extended in the event of a miners' strike, but concluded that the co-operation of BR management over the training of servicemen would be essential. This is clearly not an issue which could have been raised with BR management in the abstract, but you will want to consider whether the threat of a rail strike offers sufficient "cover" to do so now. There are risks involved in doing so. If it were to become known that the Government had raised this with BR not only might the attitude of the railwaymen harden but there might also be trouble from the miners.

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On the other hand a better opportunity for such consultations is unlikely to arise, and, moreover, if a rail strike lasts for a long time the Government might well wish to contemplate using servicemen this year to move coal to the power stations.

Handling

*Ahead
of need*

10. You will want the Secretary of State for Transport to report on the latest developments and to give his assessment of the likelihood of a strike and of how long a strike might last. Lord Gowrie may also wish to contribute.

11. I suggest that you then consider first the question of the Government's stance. Again you will want to hear views from Mr Fowler and Lord Gowrie.

12. You might then invite Mr Fowler to report briefly on the steps he proposes to take to alleviate the impact of a strike.

13. You could then go on to consider in greater detail the implications for power station coal stocks, on which you will want to hear views from Mr Gray. The main decision at this stage is whether to ask the Electricity Boards to burn more oil to conserve power station coal stocks. This does not necessarily have to be decided on Thursday; you may wish to ask for more precise information on the costs involved, on the impact on endurance times and on the likely availability of oil supplies before reaching a final view. How long a rail strike might be expected to last is also of critical importance. But, clearly, the longer a decision is delayed the less the impact on power station coal stocks will be. You might also raise at this point the question of consulting the Railways Board about the use of servicemen. You will want to hear views on this from Mr Fowler, Mr Gray and Lord Gowrie.

14. Finally, you might ask the Minister from the Department of Industry to report briefly on the wider impact of a rail strike. In the public sector British Steel and British Leyland, and in the private sector glass, chemicals and vehicles seem likely to be worst hit. Much will depend on how far trades unions in other industries co-operate with the railway trades unions to prevent traffic which normally goes by rail being diverted to road. Lord Gowrie may have views to offer on this.



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Conclusions

15. You will want to record conclusions about, in particular, the stance the Government should adopt in relation to the strike, the use of extra oil in the power stations to conserve coal supplies and consultations with BR about the use of servicemen; and about any other points which might emerge in discussion.

R L FACER

Stann
oi

Moning Coal.

Cabinet Office

18 August 1981

CONFIDENTIAL

vb

Transport

17 August 1981

The Prime Minister has seen and noted your letter of 7 August, covering a CCU Report on proposed industrial action by British Rail Workers.

MAP

J.F. Halliday, Esq.,
Home Office.

NM

CONFIDENTIAL



QUEEN ANNE'S GATE LONDON SW1H 9AT

*cc A Walters
A Duguid
J Vereker*

14 August 1981

JMP

Dear Norman

RAIL STRIKE

Thank you for your letter of 11 August. As you know, the use of servicemen during industrial disputes is normally a last resort, but there is clearly no other means by which we could provide the extra car parking spaces afforded by Operation Puffer. I recognise that there would be some advantage in having these extra car parking spaces available as soon as a rail strike begins, and I would therefore be content in principle for Operation Puffer to be implemented during the course of the week beginning 24 August. However, I do not think that we can settle at this early stage the precise time during that week when the implementation of Operation Puffer should begin. I should therefore prefer that servicemen should be put on standby from Monday 24 August and that we should consider nearer the time, in consultation with John Nott, exactly when to implement Operation Puffer, in the light of the prospects at that time for a settlement before a rail strike begins. Meanwhile, perhaps officials from your Department and from the Ministry of Defence could consider the details and make whatever preliminary preparations are necessary for the implementation of Operation Puffer.

I am sending copies of this letter to the Prime Minister, the Secretaries of State for Defence, Environment and Employment and to Sir Robert Armstrong.

John Nott
Walter

The Rt Hon Norman Fowler MP

CONFIDENTIAL



17 AUG 1981



A. Walters

A. Duguid

J. Venkat

PRIME MINISTER

BRITISH RAIL PAY

Your Private Secretary's minute of 7 August indicated that you would wish to consult further with those Ministers most closely concerned if there was still a threat of a rail strike in two weeks time. Before he left the Chancellor asked me to let you have a note in his absence setting out his views on the importance of securing a satisfactory outcome in the present negotiations. Since then I have seen the Secretary of State for Transport's minute of 11 August.

Some of the worrying aspects of the prospect on pay over the next few months were set out in Geoffrey's minute to you of 4 August on public sector pay. I will not repeat that here. I would only add that when Sir Michael Edwardes (at his own initiative) came to see Geoffrey about pay earlier this week, he specifically mentioned that if British Rail were to concede the full 11 per cent without agreement on productivity it would make his situation very difficult. The main group of private sector settlements in the autumn is in the motor industry. To concede the claim of the rail unions could have serious repercussions on subsequent settlements not only in the public but also in the private sector.

It does therefore seem most important that the British Railways Board do not move beyond the position recorded in Kenneth Clarke's minute of 6 August, and that the means to finance the RSNT award are fully secured before concessions are made. If the repercussions are to be tolerable such concessions must be seen to be self-financing. British Rail is not in any case in a financial position to make concessions on any other basis; and even on this basis they would be allowing productivity improvements required to finance future investment (for example electrification) to be diverted into pay.

Geoffrey appreciates the seriousness of the strike threat as set out in the CCU report circulated by the Home Secretary's Office. He feels that

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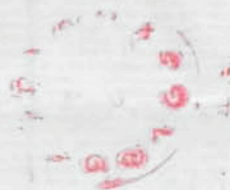
should equally not be in any doubt about the seriousness of conceding the rail unions' demands, if that proves to be the alternative to a strike.

I am copying this minute to Norman Fowler.

Ywest
pp NIGEL LAWSON
(approved by the Financial
Secretary and signed in his
absence)



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A Dugdale 2 PPS
A Waller
J Jorke
Press Office

Tides to
Cornwall

Teleprinted to
Cornwall on 12/8

Transport

Spoken to PM -

TL

12/8

She agreed that
this should be
a mtg on 20/8, n.m.

Prime Minister

BRITISH RAIL

TL.

I thought it right to fly back today to review the strike threat on BR with the Chairman of BR, and the contingency arrangements being made. Sir Peter Parker considers industrial action as rather more likely than not to take place. His Board have unanimously confirmed their position that there must be a firm and specific commitment from the unions to changes in working practices before there is any question of paying the extra 3% as recommended by Lord McCarthy's Railway Staffs National Tribunal.

The Board have already written to all their workforce to bring home to them directly what is at stake, and will be continuing this effort over the next ten days. The central point they are making is that the prospects for securing investment for the railway could be severely damaged by a major strike. They hope in this way to bring about a movement of opinion in the grass-roots membership of NUR and ASLEF. The aim is to tilt the balance in the Executives of these unions against those whose real motive is to change the dispute from an industrial matter into an attack on the Government. Sir Peter Parker recognises however that there are strong traditions of loyalty in the rail unions, and any major shift in rank and file opinion will be difficult to achieve. His strong advice is that the best help we can give him is not to get involved at this stage.

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The BR Board estimate that the costs that would continue during a strike would be about £20m per week. Half of this would be the salaries of the staff represented by the Transport Salaried Staffs Association, who in keeping with their generally moderate stance have decided not to strike. The Board estimate that the long term loss of traffic may be as much as £100m per year. Already, there are signs of rail customers looking elsewhere. We shall be examining these estimates with them.

In presenting the issues to the public I think that the Board have been pretty successful so far. There has been little suggestion that the dispute is one with the Government. I am sure we are right to maintain the line that the unions claim is a matter for negotiation between the Board and the Unions, who must both face up to the financial problems of the industry.

The main victims of the strike would be the 400,000 or so people who commute into central London by British Rail. If there is a strike, it will be important for us to show that all possible steps are being taken to ease the resulting pressures. I have therefore also taken the opportunity of reviewing with the Metropolitan Police their assessment of the traffic situation in the event of a strike. I have gone over with them what they will need to do to handle all the traffic and to solve the parking problems. We shall need to get across clearly to the public the new freedom for car-sharing secured by the 1980 Transport Act and the special car parking arrangements being made. I have set in hand the preparation of publicity material. I am reviewing what could be done to make it easier for people to put on new bus services into London. I am sending a separate minute to the Home Secretary and other colleagues concerned suggesting that all the necessary preparations for extra parking spaces in the London parks should be set in hand at once so that they can be announced in good time.



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I propose to meet Sir Peter Parker again towards the end of next week. I will report to you then on the prospects for a settlement, and the extent to which in my judgement the Government should then take a more public position.

I am sending copies of this to the other members of Cabinet, the Chief Whip and Sir Robert Armstrong.

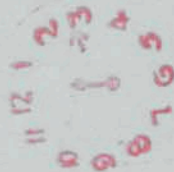
NORMAN FOWLER

11 August 1981

CONFIDENTIAL



12 AUG 1981



CONFIDENTIAL

cc A Duguid
J Vereker
A Walters

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Transport

The Rt Hon William Whitelaw CH, MC, MP
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
SW1H 9AT

11 August 1981

Dear Willie

Thyngs

RAIL STRIKE

I have now seen the report by the Civil Contingencies Unit, at official level, which your office put forward to the Prime Minister's office on 7 August. This identified the need for a decision, in the week beginning 24 August, whether to implement the contingency plan for the Ministry of Defence to put tracking in certain London parks to provide a further six thousand parking spaces (operation Puffer).

I think I should let you know straightaway my view that we will need to activate this plan, if it seems reasonably certain that the strike will go ahead. It will be a vital part of our position that we are doing everything to ease the situation of the London commuters who will be hard hit. It will at the same time show resolution in face of the union threats. Nothing could do this better than visible preparations in the week before the strike starts.

I discussed this earlier today with Mr Barker, Assistant Deputy Commissioner of the Metropolitan Police. He agreed that there were advantages in activating operation Puffer for the

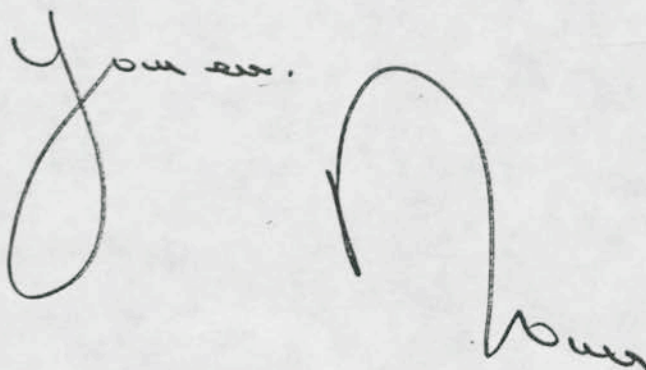
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first week of a strike. The extra parking spaces provided would ease parking pressures elsewhere. And any publicity given to any empty spaces on the sites provided would defuse pressures for unjustifiable relaxation of parking regulations in other parts of the capital.

While the instructions to set up operation Puffer need not be given until the 24 August, in my view the Army should now assume that this work will be required in that week, and should make whatever preliminary preparations are necessary for that. I hope you will agree.

I am sending copies of this to the Prime Minister, the Secretary of State for Defence, and the Secretary of State for the Environment, and to Sir Robert Armstrong.

You see.


NORMAN FOWLER

12 AUG 1981

12 AUG 1981

CONFIDENTIAL

From: THE PRIVATE SECRETARY

CONFIDENTIAL

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT



Prime Minister

To note.

7 Aug. '81

✓ Mr Gattin
Mr Dupuis

Dear Tom,

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1/8

...
The Civil Contingencies Unit met yesterday at official level and has submitted to the Home Secretary the attached report on proposed industrial action by British Rail workers. Although the Home Secretary has not yet had an opportunity to see the report, I thought you would wish to have a copy without delay. You will see that the only Ministerial decision that would be required in advance of a strike is whether to put servicemen on notice to provide extra emergency car parking space in London, a decision that would need to be taken early in the week beginning 24th August if it was to be implemented from the start of the planned strike.

I am sending copies of this letter and the report also to the private offices of the Chancellor of the Exchequer, the Secretary of State for Industry, the Chancellor of the Duchy of Lancaster and Paymaster General, the Lord President of the Council, the Secretaries of State for Employment and Defence, the Minister of Agriculture, Fisheries and Food, the Secretaries of State for Environment, Scotland, Wales, Northern Ireland, Trade, Energy and Transport, and Sir Robert Armstrong.

Yours ever,

J. F. HALLIDAY

T. P. Lankester, Esq.

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11 AUG 1981

CONFIDENTIAL

PROPOSED INDUSTRIAL ACTION BY BRITISH RAIL WORKERS

Note by Officials

THE THREAT OF INDUSTRIAL ACTION

1. The Executives of the NUR and ASLEF have decided to give notice of an all out strike on British Rail (BR) starting on 31 August 1981. TSSA have decided not to strike and it is reported that members of TSSA will be expected to cross picket lines and report for work. On the whole they will probably do so but they are mainly in the managerial and clerical grades and would not, therefore, be able to keep train services running. The notice of a strike follows a breakdown in the negotiations on pay which have taken place in the light of the award by the Railways Staffs National Tribunal (RSNT) under Lord McCarthy. The award is not binding on the parties. The British Railways Board (BRB) have offered:

- (a) to implement an 8% increase in rates of pay with effect from 20 April 1981; as recommended by RSNT.
- (b) to apply a further increase of 3% in rates of pay from a date to be agreed, provided there is evidence of a commitment to specified initiatives to increase productivity; the RSNT recommended a further 3% from 1 August 1981.
- (c) to implement a proposal for an increase in the minimum earnings level; as recommended by RSNT.
- (d) to stage a return to an earlier method of calculating the London Allowance; largely as recommended by RSNT.

The Board's decision not to implement item (b) above with effect from 1 August 1981 in the absence of a commitment to productivity improvements is the reason for the breakdown in the negotiations and for the notice of a strike.

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2. The NUR strike notice also covers their members in BR hotels, workshops, hovercraft and Sealink services, but not those industries outside BR.
3. There are indications that efforts may be made to involve workers on the London Underground. In the light of the GLC's decision to authorise the LTE to pay these workers the rates recommended by the RSNT for BR workers there must be a real doubt whether they will join the industrial action. It is even more unlikely that London Transport bus workers will take sympathetic strike action.
4. It is, however, reported that the NUR will seek support from the NUM and ISTC, their partners in the "Triple Alliance". The NUM might well give support which would probably take the form of refusing to allow exceptional measures; they may try to stop the loading of coal, but are unlikely to stop the mining of it. The ISTC is most unlikely to take any sympathetic action. It is also reported that the rail unions may approach power unions, but the Department of Energy's judgment is that their support is unlikely to be forthcoming.
5. The unions' most likely tactic is an indefinite all out strike, although the possibility of a shorter all out strike to demonstrate the impact of a rail strike on the community cannot be ruled out. We do not think that the unions will now opt for selective action instead.
6. The assets of the two rail unions involved (as at 31 December 1979) are:

NUR	£18.4 million
ASLEF	£2.4 million

Not all of this could be made available quickly for strike pay purposes. The NUR are understood to pay strike pay at a rate of £1 a week day - a maximum of £5 per week. ASLEF are not known to have a stated strike pay rate, but the executive has a discretion to pay. However, we do not think that financial pressures are likely to lead to an early return to work. A partial unofficial return to work seems unlikely, but, in any case, a very large proportion of the workforce would have to return before rail services could be resumed.

7. The length of notice given could mean that the unions are hopeful that a settlement can still be reached and the strike called off. Or it could mean, as the NUR suggests, that it provides time for "the mobilisation of forces to ensure that the stoppage is total". Over the next three weeks the British Railways Board will be trying to find ways to get the two unions back to the negotiating table, and will be publicising to their workers both the consequences of a strike and the precise changes in working practices that they are seeking. A strike may therefore yet be averted but it remains a strong possibility.

THE CONSEQUENCES OF INDUSTRIAL ACTION

8. ASLEF has 90 per cent of train drivers on British Rail. NUR has 10 per cent of train drivers and virtually all signalmen. The all out strike threatened by these two unions would stop all railway services. This would affect in particular London commuters, power station fuel stocks, freight services, some industries and other services, and shipping. These are examined below. Steps which the Government could take would have only marginal mitigatory effects on the first two of these (London commuters and power station stocks) which are the key areas in withstanding a long strike.

LONDON COMMUTERS

9. London is the only part of the country where a rail strike would seriously disrupt commuter services. Of the one million who come into London daily from outside the GLC area 400,000 are transported by British Rail. The severity of the consequences of a strike would depend on whether or not London Transport Underground remained in operation (which we think it will). If the London Underground services were withdrawn for a lengthy period the road system in central London would have difficulty in coping with the additional traffic, even with all available measures. Some means of limiting the number of commuters, probably by voluntary action by employers, would be essential. Compulsory restrictions laid down by Government would be unenforceable and it would be better to rely on exhortation and self-interest.

POWER STATION FUEL STOCKS

10. Coal fired power stations are largely dependent on rail movement, and there is little scope for supplying coal to them by other methods. With present stocks they could last some 7 to 8 weeks. But there is considerable surplus oil fired capacity which could increase endurance by some 2 weeks if ordered at the start of the strike; the cost would be up to about £200 million.

11. However even if power station coal stocks last out, any strike will affect the build up to autumn peak stocks.

FREIGHT

12. Freight movements by rail are less of a pressure point. Only about 10 per cent of freight is moved by rail, although this includes the great majority of bulk movements of coal for power stations, and of steel. Apart from coal for power stations (dealt with above) there are virtually no choke points in the movement of freight to maintain essential supplies and services. There are a number of cases where different arrangements will need to be made, but none to cause concern. Such cases are the movement of spent nuclear fuel from power stations to Windscale - their endurance is about three months - and the supply of aviation fuel to Gatwick, which could be tankered by road.

INDUSTRIES AND SERVICES

13. Industries depending on oil will begin to be affected after about 2 weeks, unless alternative road transport could be arranged for critical oil supplies. Industries depending on coal are likely to be affected only after several weeks, and those depending on gas should not be affected in the short term. Apart from the effects of fuel supply problems, industry generally is not likely to be seriously affected by the absence of rail freight, with the exceptions of steel, glass, chemicals and vehicles. The cumulative effect of shortages of raw materials, such as chemicals and steels, would gradually permeate other industries, including those concerned with the provision of essential supplies such as medical supplies etc.

14. Usually the Post Office would expect to be able to deal with three-quarters of all mail by employing alternative transport in the event of a withdrawal of rail services. The position at present however is less certain since pay negotiations between the Post Office and the Communications Management Association (CMA) are currently deadlocked, and the CMA (who represent first and second line supervisors) may not therefore be prepared to cooperate with emergency measures.

SHIPPING

15. British Rail shipping services to the Continent, Northern Ireland, the Isle of Man and the Isle of Wight will be affected, but there are private firms who should still be able to operate. This will mean delays for private travellers and freight, ranging from some, not too severe, dislocation on cross channel services to severe disruption to the Isle of Wight services.

16. Sealink services to the Channel Islands sail from Weymouth but dock staff there are NUR members who will be on strike. However the Channel Island docks are not staffed by NUR members, and it might therefore be possible for private operators to set up a Channel Island service. In addition there are the normal air services. There should therefore be no threat to the essential supplies and services of the Channel Islands.

STEPS TO ALLEVIATE THE EFFECTS OF A STRIKE

17. To mitigate the effect on London commuters the Metropolitan Police have contingency plans to:

- (a) direct police and wardens from other work to traffic duties;
- (b) open emergency car parks;
- (c) introduce emergency clearways on all radial routes with very strict enforcement of all waiting restrictions;
- (d) arrange with all business frontages on all radial routes not to receive deliveries between 7-10 am and 4-7 pm;

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- (e) suspend enforcement of bus lanes;
- (f) stop all possible road works except emergency repairs;
- (g) ban movement of abnormal loads;
- (h) arrange boarding and alighting points for coaches to bring in key staff.

In addition, as a further measure to be brought in later, the Metropolitan Police could allow free meter parking. None of these measures require collective Ministerial decision; the Metropolitan Police would implement them as necessary following consultations with the Department of Transport. Publicity about these traffic and parking measures might best be given in the week beginning 24 August.

18. In the same week the Department of Transport might set up its emergency transport organisation (to be ready to make best coordinated use of road transport) and might arrange extra publicity to encourage people to:

- (a) avoid unnecessary journeys into and through London;
- (b) arrange deliveries of goods to avoid peak traffic;
- (c) urge drivers obliged to bring their cars into London to give lifts - there are now no insurance limitations on this, whether passengers are carried free or share the cost of the journey;
- (d) provide accommodation in London for essential staff;
- (e) stagger working hours wherever possible.

19. There are already press reports of major companies in London examining plans for ensuring that staff could get to work by hiring coaches, for example.

Private operators may also introduce special bus services and whereas recent legislation has made this possible in principle, there are still some controls which may make this difficult in practice in this strike. The Department of Transport are investigating this further. Government Departments will need to issue the usual instructions to staff about staggered hours, taking work home, lift giving, and the Civil Service Department will issue guidance to Departments two weeks before the strike is due to start.

20. In addition to what the Metropolitan Police can do (paragraph 17(b) above) to provide emergency car parks (8,000 spaces), there is a military plan (Op PUFFER) to lay tracking in London parks to provide a further 6,000 spaces. On operational grounds it would not be required immediately, but Ministers will wish to consider whether to do so on wider grounds. The plan requires a lead time of 5 days. A collective decision by the Home Secretary, Transport and Defence Ministers and, if the Home Secretary thought necessary, the Prime Minister, would therefore be required early in the week beginning 24 August.

21. Ministers may wish to consider the increased use of power station oil fired capacity to conserve coal stocks (see paragraph 10 above). A decision on this could be left until the strike starts. In view of the costs involved we do not think that Ministers will wish this step to be taken before a strike begins.

22. Ministers will also need to consider whether, and at what point, a State of Emergency should be declared and whether Emergency Regulations need to be made. There is no need to make the Regulations at the start of the strike, but if it goes on for any length of time Regulations might be needed to relieve British Rail of statutory and contractual commitments and to overcome any obstacles to private bus services. The Department of Transport are investigating both these points. Even if this did not prove necessary the proclamation of a State of Emergency could be a psychological weapon which Ministers might wish to deploy. On the other hand Ministers might prefer to emphasise that the importance of rail transport to the economy had diminished and that a strike on the railways was no longer a matter of grave concern.

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23. The lead on Government publicity will be taken by the Department of Transport keeping in close touch with the Prime Minister's Chief Press Secretary, who will himself keep in close touch with the Chancellor of the Duchy of Lancaster and Paymaster General.

MINISTERIAL DECISIONS

24. We recommend that overt action by the Government is delayed as long as possible. On that basis there is only one area where a collective Ministerial decision will be needed in advance of a strike, and that is if Ministers wanted to put servicemen at notice to produce extra emergency car parking space in London (Op PUFFER - paragraph 20 above).

25. Once the strike has begun, early Ministerial decisions may be required on the following.

- (a) Op PUFFER (if not already ordered);
- (b) increased use of power station oil fired capacity (paragraph 21);
- (c) the possibility of proclaiming a State of Emergency (paragraph 22).

CONCLUSION

26. The stance taken by the NUR and ASLEF and the apparent determination of the BRB to make no fresh offers without a commitment to improved productivity indicate that a strike is likely. At this stage the possibility of moves to break the deadlock can only be speculation. An all out strike will quickly affect commuters, particularly in London, and bulk movements of coal to power stations. Some form of short-time or staggered working for businesses in London would be required, after say one week, if London Transport services continue in operation, or sooner if the London Underground is affected. The loss of freight services at this stage of the year would be less important than the effect on passengers but if prolonged it could undermine the hoped-for build up of coal stocks by the end of the autumn. Officials should continue to review all aspects of the contingency plans. Only one Ministerial decision

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is required in advance of a strike; whether to put servicemen at notice to provide extra car parking space in London (Op PUFFER). Once a strike has begun, early Ministerial decisions may also be required on whether to increase oil burn in power stations, and the possibility of proclaiming a State of Emergency.

7 August 1981

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R H



Blind cc: Press
Mr Wolfson
Mr Duguid

Transport

10 DOWNING STREET

From the Private Secretary

7 August, 1981

British Rail

The Prime Minister has considered your Minister's minutes of 4 and 6 August, and also the Chancellor of the Exchequer's minute of 5 August.

The Prime Minister is content with the course of action proposed by Mr Clarke, and she has noted that Mr Fowler will be coming back to London in the middle of next week to review the situation. If there is still the threat of a strike in two weeks time, the Prime Minister will wish to consult further with those Ministers most closely concerned.

As for the Chancellor's suggestion that the Government should mount a major campaign about British Rail's pay and productivity, the Prime Minister agrees with Mr Clarke that it would be better not to mount such a campaign at this stage. But she thinks a campaign might well be needed if, after another two weeks, a strike looks probable.

I am sending a copy of this letter to Peter Jenkins (HM Treasury).

T. P. LANKESTER

N T E Hoyle, Esq
Department of Transport

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Op

MR. GAFFIN

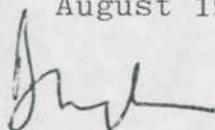
cc. Mr. Lankester

Rail Dispute

I think it is very important you should hold a meeting before the Prime Minister returns from holiday to consider the presentational position in the rail dispute.

Transport, Treasury, Employment and Scottish, Welsh and Northern Ireland Offices, plus perhaps Home Office, are the obvious candidates.

It would be helpful to put up a considered paper to the Prime Minister in advance of any meetings planned after August 19.



B. INGHAM

7 August, 1981

6 August 1981

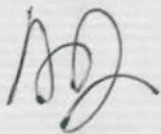
MR LANKESTER ✓

SECRET

cc Mr Hoskyns
Mr Ingham
Mr Vereker 2

R "18
BR STRIKE? MISC 57 IMPLICATIONS

1. John Vereker's note of today's date says that CCU agreed that we ought not to lose the opportunity for consulting BR management about training drivers to operate the merry-go-round. I entirely agree. The merry-go-round has been identified by MISC 57 as the crucial point of vulnerability in the system. It is vulnerable to either a coal strike or a rail strike. I cannot therefore see why we should wait until the end of August to consult BR management. The present threat provides a heaven-sent opportunity to do so. (Up to now, officials have been most unwilling to contemplate even asking BR management about this problem.)
2. I understand from John Vereker that some people feel we ought not to consult BR because we ought not to let them realise how worried we are about the prospect of losing the merry-go-round. But surely any intelligent manager at BR - or intelligent union official - knows very well that coal stocks are at around 7½ weeks and that the merry-go-round is crucial to their being maintained. I don't think we should pretend to ourselves that others don't realise this.
3. So I see no advantage in delay.



ANDREW DUGUID

SECRET

MR. DUGUID

cc. Mr. Ingham
Mr. Lankester

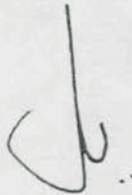
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British Rail Strike: MISC 57 Implications

. After this morning's meeting of the CCU, Robert Wade-Gery had a brief private discussion, at which I was present, on the implications of a rail strike for the work of MISC 57. We agreed that we ought not to lose the opportunity provided by industrial action on the railways for consulting British rail management about the extent to which they could help train drivers to operate the merry-go-round trains to deliver coal. We have here an alibi for such consultation which we do not, in the case of the much more hypothetical work of MISC 57.

Accordingly Mr. Howell is going to minute the Prime Minister suggesting that such consultations should take place at the appropriate moment, which will be about the end of August.

And if the strike does go ahead, it was agreed that we would need to look again at the case for building up oil stocks, and indeed for enhancing coal stock accumulation after the strike ends.



J. VEREKER

6 August, 1981

SECRET

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cc: Mr Wolfson of
Mr Duguid
Mr Ingham

Review Minutes

*Agree with John's
advice at the end of this
month?*

*- Yes not.
12/48*

MR LANKESTER

RAIL STRIKE

*Flas A
Flas B*

I promised to let you have some reactions to today's minute from Mr Clarke, and yesterday's minutes from the Chancellor and from Mr Clarke about the prospects for a rail strike, and in the light of today's meeting of the Contingency Unit.

Prospects

Nobody knows whether the present attempts by British Rail to reach agreement with the unions on the financing of the extra 3% will be successful, but the Department of Transport's present assessment is that it is entirely on the cards that there will be a strike, that if there is it will be all-out and indefinite rather than selective, and that the unions can sustain it for a considerable period. Nonetheless, it does seem rather unlikely that where the issue is not the provision of extra money, but the negotiation of a productivity deal, a formula will not be hammered out over the next three weeks.

Consequences of a Strike

There are only two consequences that matter: the effect on commuters into central London (400,000 passengers a day) and the effect on coal deliveries to power stations. Ways round almost all the other effects can probably be found. There is no recent experience of an all-out rail strike to draw on, the last one having been in 1955. The effect on commuters is probably scarcely significant at all for the economy, but highly significant in media terms. The effect on coal stocks, now standing at 7½ weeks' endurance, would be serious in itself - and would prejudice Ministers' wider objectives of building up endurance in advance of the pay negotiations with the miners.

Action Required

There is no doubt that the threat of a British Rail strike raises major issues, which Ministers ought to consider collectively

/as the strike

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- 2 -

as the strike draws nearer. The effect on pay expectations of an 11% deal with a loss-making, unproductive and over-manned industry, at the beginning of the new pay round, would be harmful. But we are already in the position where 8% has been offered and a further 3% is known to be available if it is self-financing, so an 11% "headline" is probably unavoidable. All experience with prolonged industrial action indicates that whatever the rights and wrongs, and however strongly public opinion may support the Government at the outset, the public pretty soon demand an end to the inconvenience.

Mr Clarke says (a) we should leave the negotiations to the Board (his first minute) and (b) we should not launch a public campaign about BR productivity and finance in the next two weeks (his second minute). The Chancellor (a) doesn't think the Board can deliver improved productivity and (b) thinks we should start a campaign.

In my view nothing much is lost by waiting two weeks to see how the Board get on. If the negotiations fail, then we can start to campaign in the week before a strike. I don't think a campaign would do much to deter a strike. As for whether the Board will deliver the goods, I should have thought the prospect of losing electrification (and a lot of passengers) would put a bit of backbone in Peter Parker.

So, if the Prime Minister agrees, I think you should minute the Chancellor's Private Secretary to the effect that we think it would be best to wait two weeks and see how negotiations go on before launching any campaign about British Rail's finances; and that you should minute Mr Clarke's Private Secretary to the effect that the Prime Minister would wish to consult her colleagues concerned if there is still the threat of a strike in the week beginning 23 August. At that time, when I shall of course be away, I think Ministers ought to bear in mind that it is rather unlikely that they can "win" an all-out rail strike.


J M M VEREKER

6 August, 1981

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EC Mr. Herby
Duguid
Ingham

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PRIME MINISTER

BRITISH RAIL FINANCES AND PAY

I know that Norman Fowler fully agrees, as I do, with the view in the Chancellor's minute to you of 5 August about British Rail that the key need is to improve productivity and reduce manpower. This is exactly what Norman Fowler restated in his statement of 22 June about electrification, following the decisions in E Committee. I agree with the Chancellor that we must certainly take more opportunities over the next few months to continue to make the Government's position clear. I disagree however if the Chancellor is saying that we should campaign on the issue during the current vital pay discussions.

Productivity is the issue on which the Board have taken their stand in the current pay negotiations, which has led to the union notices of strike. I have been rather concerned about some of today's Press reports but, after making enquiries, I have been assured that the Board have not moved in any way from the position they have taken up, and which Norman cleared with you in advance.

Our immediate aim is to achieve a satisfactory pay settlement. It would be unwise to make statements now which might appear to involve the Government directly in the dispute. Over the next few weeks, the Government must sustain the Board in their present responsible position.

Frankly, we all have been disappointed about the rate of progress which the Board have been making until recently. But anything which appeared to attack them at the moment might undermine the people on whom we have to rely to get the right pay result.

As I suggested to you in my minute of 4 August, we should in my opinion confine ourselves in public for the next week or two to saying that this is a matter for negotiation between the Board and

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the unions, who must both face up to the financial problems of the industry. We should of course review the need for the Government to make fuller statements if a strike is imminent at the end of the month. These might well need to include statements of policy on the future of the railways which reinforce the urgent need for productivity improvement.

I am keeping in close touch with Norman Fowler; he has agreed the general line of this minute; and he will be flying to London for a day or two on Tuesday of next week for a full review of the position and to ensure that the Department's preparations for dealing with a strike are in a proper state of readiness.

I am, of course, copying this to the Chancellor.



KENNETH CLARKE

6 August 1981

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02/0
 CC Mr. Vercher
 " Ingham
 " Daywid



Treasury Chambers, Parliament Street, SW1P 3AG
 01-233 3000

PRIME MINISTER

BRITISH RAIL FINANCES AND PAY

In my earlier minute to you today covering the public sector pay monitoring report, I suggested that we needed a further report on the position reached in British Rail's pay negotiations. We do urgently need an authoritative statement of the position and how the Board propose to handle it. Meanwhile, I have been reflecting further on the position of British Rail (BR), prompted in part by the parallel correspondence between Norman and Leon Brittan (culminating in Leon's letter of 3 August) about BR's deteriorating finances and the likelihood that they will require an increase in their grant in this and future years.

2. Leon's letter of 3 August set out the picture of BR's finances which seems to be emerging - little progress on reducing costs in the face of falling revenue, leading to seemingly inexorable increases in subsidy. On the pay front too, we are seeing indications of the effect of entrenched attitudes on the one hand and, in part at least, failure of management on the other. In both cases, the Board are failing to achieve the real changes needed, yet the public position is so distorted by "age of the train" publicity that the Government as much as the Board is seen as to blame.

3. I am led to wonder whether this is a case where we should mount a major campaign to bring about pressure to achieve quickly the necessary changes, and to bring out in public the enormous inertia which has been shown by BR in adjusting to changing circumstances.



4. I fully support Leon's view that any increase in grant this year must be linked to requiring from the Board specific proposals for improvements in the fields of service levels, costs and manpower, together with a timetable for their implementation. At the heart of these measures lies the need to improve productivity and reduce manpower which is also the focus of the current pay negotiations. If the Board do not adopt a tough approach here, I doubt they will ever achieve the thrust and authority required to carry through the necessary changes.

5. The conclusion I come to is that the industry is now in such a state that we must be ready to do everything in our power to promote the necessary changes and particularly to bring out publicly the real facts of the case. It already seems clear that we shall have to be ready to face a strike on the issue, probably in the context of the pay dispute - indeed the pay issue itself is of sufficient seriousness to make this likely. It will in any event be crucially important to keep in close touch with progress to ensure there is no letting up of the pressure and I hope that this can be arranged.

6. Norman Fowler has been grappling with these difficult issues for a long time. He receives a copy of this minute, of course.

Jim Rutter

PP (G.H.)

5 August, 1981

*Seen by the Chancellor and
signed in his absence.*

CONFIDENTIAL

cc Mr. Wolfson
Mr. Duguid
✓ Mr. Pattison
Wan hester

MR. INGHAM

Rail Strike

On your copy of Kenneth Clarke's note to the Prime Minister about the rail strike you asked if I would cover the CCU meeting. I was surprised to see Mr. Clarke claimed paternity of this meeting on behalf of his Department: it has in fact been summoned at my insistence, since after discussion with Andrew Duguid I thought we should reassess the prospects for coal movements; and the CCU Secretariat told me that this proposal was being resisted by the Department of Transport.

One point I shall make at the meeting, but which is really a point to bear in mind throughout August if a chance to do anything about it should arise, is the simply awful impression given by BR's board member for industrial relations, a Mr. Clifford Rose. I have seen him perform twice on television, and each time he has been totally incomprehensible even to those such as myself who are actually trying to learn what he is saying. This contrasts sadly with Mr. Weighell, who gives a marvellous impression of wishing to call a rail strike in order to prevent BR going ahead with lunatic de-manning proposals which will threaten the safety of every traveller.

On the substance, Mr. Clarke's note does of course beg the question of whether the Government will in the event prefer to increase the EFL rather than face a rail strike. If I may, I will deliver some wisdom on that after the CCU meeting.

John Vereker

5 August 1981

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Mr Ingham
Mr Wolfson
Mr Duguid
Mr Verker

Prime Minister

A sit-up on the rail
strike threat.

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Are you content for

Yes - I am Mr Fowler to continue
only in Gornell's holiday?

Prime Minister

Do you want to have
any discussion with
Mr Clarke before you
leave London?

RAIL STRIKE

No

mb

MA 4/10/11

The NUR Executive has unanimously decided to give
notice of an all out strike on British Rail starting on 31
August. ASLEF have decided to give the same notice. TSSA have
decided not to strike.

The Railways Board will call the Unions into a
meeting at which they will explain to them the damage they are
threatening to inflict on the industry.

My Department has asked the CCU for a meeting
(scheduled for Thursday) at official level to provide for
Ministers a first appreciation of the consequences of a strike
and any recommendations for preliminary preparations.

I suggest that we should continue to maintain our
position that the negotiations are for the Board to handle. The
Board's position remains entirely in line with the one they
agreed with the Secretary of State and which he put to you on
17 July. I understand that ACAS have been in touch with all the
parties but there is no question of the Railways Board making
fresh offers. We shall see in due course what promises of support,
if any, the rail unions are able to secure from other unions, and
what response they appear to be getting from their own workforce
to a situation in which an 8% increase in pay will continue to
be delayed. I do not suggest that the Secretary of State for
Transport need return to the United Kingdom at this juncture.

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I suggest in public we should confine ourselves to saying that this is a matter for negotiation between the Board and the unions who must both face up to the financial problems of the industry.

I am copying this note to members of the Cabinet, the Chief Whip and Sir Robert Armstrong.

Kc

KENNETH CLARKE

4 August 1981

CONFIDENTIAL

Not Ind.

MR. LANKESTER

c. Mr. Duguid
Mr. Ingham

R. 4/7

I am pretty appalled at the way things are getting out of hand on the negotiations with the railway unions. Until a few days ago we were consistently being reassured at all levels by the Department of Transport that there was no threat of a strike until the autumn; and that Mr. Fowler would ensure that nothing more than 8% was offered until productivity improvements were secured. The last piece of ministerial correspondence on this issue was a stern letter from the Chief Secretary on 30 July saying that no more than 8% should be offered, and that colleagues should have a fuller report before anything happens. It now seems to me that DTp have lost control of British Rail; and we are threatened with the likelihood of industrial action followed by, no doubt, an increased offer. I think therefore we really ought to ask Mr. Fowler to report urgently to the Prime Minister what is going on and what he proposes to do to avoid industrial action and prevent yet more money being given away by this loss-making industry, and what connection he sees with the prospect for electrification. This might mean that the Prime Minister has to take a short meeting in the next few days notwithstanding the state of her diary.

Andrew Duguid and I are also concerned about the possible inter-relation between a rail strike and power station coal stocks. When the CCU looked at this in April, the DTp advised that the great majority of bulk movements of coal for power stations were by rail, but that since power station coal stocks were reasonably high there was no need for immediate alarm. They did however recognise that a stoppage would affect the summer restocking programme and could reduce power station endurance next winter. Four months later, that seems a complacent judgement: stocks are somewhat higher, but the importance of endurance is higher still. I suppose this may be mentioned at the Prime Minister's meeting this afternoon; and I have suggested to the CCU secretariat that they should convene an urgent meeting to reassess this point.

J.

4 August 1981

CONFIDENTIAL

● PART 1 ends:-

3.8.81

CST to SS/Trans

PART 2 begins:-

Clarke to PM

4.8.81

