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cc: Mr Wolfson of
Mr Duguid
Mr Ingham

Review Minutes

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

*- 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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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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OC Mr. Herber
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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CC Mr. Vercher
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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.*

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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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