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SUBJECT



10 DOWNING STREET

From the Private Secretary

21 May 1982

THE RAILWAYS

The Prime Minister held a meeting yesterday evening at 1830 to discuss your Secretary of State's two minutes to her of 19 May. Those present were the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Transport, Energy, Scotland and Employment, the Minister of State, Department of Industry (Mr. Lamont), Mr. Sparrow (CPRS) and Sir Robert Armstrong and Mr. Gregson (Cabinet Office).

Your Secretary of State said that, as set out in the assessment prepared by the British Railways Board (BRB), the choice for the Government lay between backing the BRB in the confrontation with the trades unions which they now thought virtually inevitable, or, if the conclusion was that a rail strike could not be withstood, telling the BRB to achieve the best deal it could on pay and productivity without the risk of industrial action. The BRB felt strongly that they should not seek to avoid a confrontation with the trades unions. Their assessment was that the best course would be to insist on the implementation of all the productivity measures covered by the 1981 understanding on productivity and also on the closure of the railway workshops and cuts in administrative staff which they had been pursuing; and that they should make clear to the trades unions at an early date that no pay offer would be made until agreement had been reached on these measures. It was essential that the Government should fully support the BRB in their determination to achieve the necessary improvements in productivity and reductions in excess capacity, even if this meant a prolonged all-out strike, as seemed likely. He endorsed the BRB's view that any confrontation should be over a wide range of issues and not just flexible rostering, and that no pay offer should be made until the outstanding productivity issues had been settled.

In discussion there was general agreement that if industrial action were inevitable it would be preferable, as the BRB proposed, for it to take place over all the outstanding productivity and efficiency issues rather than on the narrow question of flexible rostering. To seek to do otherwise could result in a series of expensive and protracted disputes. Moreover, the biggest and most immediate financial savings would flow from the proposed workshop closures. But before the BRB became committed to this course Ministers would need to be sure that the tactics proposed by the BRB would result in early industrial action, and they would need some assessment of how industrial action might be brought to an acceptable conclusion. If power station coal stock were to be rebuilt by November, industrial action on the railway would need to be brought to a conclusion by about the middle of August.

The chances were that an all-out strike would be protracted; the BRB believed that it could last for 12 weeks or more. The BRB would therefore need to bring matters to a head very early in June. But it was far from certain that the two-step procedure they proposed would achieve this; the timing of any strike was still largely in the hands of the trades unions. The second stage - the meeting of the Rail Council - could well result in proposals by the unions for further discussions or for a joint approach to the Government, which the BRB could not easily refuse if they were to avoid the charge of actively seeking a strike; but this would serve only to delay a strike. It might, therefore, be better for the BRB to abandon the Rail Council and to seek instead to force matters to a conclusion at the meeting of the Railway Staff National Council proposed for next week. The most effective way for the BRB to precipitate early industrial action might be to press ahead with the proposed workshop closures, particularly at Shildon. But if so, the public presentation would require very careful handling, since the public would expect an early confrontation with ASLEF over flexible rostering, not with the NUR, which, so far, had supported the BRB. On the other hand, the workshop closures were a matter of great industrial sensitivity, particularly for the NUR. It was not clear whether there was an alternative to outright confrontation over this; for example, were the staffs largely of an age at which they might be prepared to accept general redundancy terms, as in the case of other public sector industries? If so, the necessary savings might be achievable without industrial action on this particular issue. It was important that the BRB should explore the possibilities urgently.

Whatever approach the BRB adopted, it was essential that the trades unions should be denied the opportunity to refer some or all of the disputed issues, or the pay claim to the Railway Staffs National Tribunal. It was also important that the BRB should make clear publicly that the pay negotiations had been deferred and that it was not the case that they had made a nil pay offer.

In further discussion it was argued that it was unrealistic for the BRB to expect the trades unions to capitulate completely on every point. It was, therefore, important that the BRB should have considered, before a strike began, what it would regard as an acceptable conclusion and how this might be achieved. Ministers would need an opportunity to consider the BRB's views on this point. It was also essential that the BRB should be in no doubt of the importance the Government attached to the improvement of the railway's efficiency; Ministers might need to consider at some stage whether the guidelines within which the BRB was operating were fully consistent with this.

Finally, Ministers considered whether any further contingency planning might be appropriate. There was general agreement that there was as yet no need to take special measures to conserve power station coal stocks, although the situation would need to be reviewed when a rail strike seemed imminent. An all-out ^{rail} strike would, after about 3 weeks, reduce deliveries of industrial gases, particularly in the South East, by about 30 per cent. But the companies concerned appeared to have detailed contingency plans and could ensure that priority customers continued to receive adequate supplies. The British Steel Corporation would be quickly and seriously affected by an all-out rail strike, but the repercussions on the rest of

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industry were unlikely to be serious, since steel stocks were generally high and imports could be increased. It seemed unlikely that there would be simultaneous, all-out strikes on the railway and London Transport. But the Secretary of State for Transport would keep the position under close review and alert colleagues if it seemed that further contingency planning against this possibility might be worthwhile.

The Prime Minister, summing up the discussion, said that the BRB's assessment tended to confirm the earlier view of Ministers that industrial action on the railways was almost certainly inevitable. The BRB's preferred option, of tackling the unions on all outstanding productivity and efficiency issues, was probably the right one. Information was not however yet available which would enable the Government to judge how far the course of action contemplated by the BRB would meet the Government's requirement that any industrial action should begin as soon as possible and should be brought to an end by mid-August. The Secretary of State for Transport, accompanied by Mr. Sparrow, should therefore seek a meeting as soon as possible with Sir Peter Parker, Mr. Reid and Mr. Rose. It should be made clear at that meeting that the Government endorsed the BRB's objectives of achieving the various improvements in productivity and efficiency as quickly as possible; indeed some of these, such as the administrative staff reductions, should be regarded as actions wholly within management's discretion which ought not to have to be negotiated. The Government also recognised that such efforts carried a strong risk of major industrial action. They were however concerned about the timing of such action. They therefore wished to know in much greater detail how and when the action was likely to arise. Ministers acknowledged that the initiative would inevitably lie to a great extent with the unions themselves. But the Government needed to know in more detail what scope there was within the existing negotiating machinery and procedures for the unions to prevent matters coming to a head and what options would be available to management to counter this. It was also necessary to know more of the management's thinking about the probable course of events when industrial action had begun, and about the tactics which might be adopted to resolve the various issues and bring the action to a satisfactory conclusion within an acceptable timescale. In particular since the closure of the Shildon and Horwich works seemed likely to be both a valuable objective for management in reducing costs and a contentious and emotional issue for the unions, it was desirable to explore how far that issue could be resolved by offering generous redundancy terms. The Secretary of State for Transport should also make clear to the BRB that the Government was not prepared to promise to approve new investment; success by the BRB in achieving improved productivity should release funds for economically and commercially sound projects. Ministers would need to meet again during the course of the following week, when the BRB's response to the above points was available. Finally, the Secretary of State for Transport should keep under review the need for further contingency planning against the possibility of simultaneous, all-out strikes on LT and BR.

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I am sending copies of this letter to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Industry, Energy, Employment, Defence and Scotland and to Sir Robert Armstrong and Mr. Sparrow. I should be grateful if you and they would ensure that it is circulated within Departments on a strictly need-to-know basis.

Michael Scholar

Anthony Mayer, Esq.,
Department of Transport.

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PM has seen.

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20th May 1982

Dear Michael,

THE RAILWAYS

My Secretary of State does not feel that it is necessary to attend this afternoon's meeting to discuss the problem of industrial relations on the railways. There is, however, one point which he would wish to register arising out of the BRB paper attached to the Secretary of State for Transport's minute of 19th May to the Prime Minister. This observes, in the penultimate paragraph on page 4, that the railways are heavily involved in movements connected with Op CORPORATE. This is indeed the case. Our assessment is, however, that should there be an all out strike on the railways it should prove possible to transfer this traffic to road transport. Thus an all out strike might cause some delay, inconvenience or minor disruption to our arrangements for moving materiel to the South Atlantic but should not actually prevent anything we have planned.

I am sending a copy of this letter to the Private Secretaries of those who received Mr Howell's minute of 19th May.

Yours ever

Nick Evans

(N H R EVANS)

M C Scholar Esq

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20 MAY 1982

