



9052  
14

SECRET AND PERSONAL

P.0757

PRIME MINISTER

The Railways

INTRODUCTION

FLAG B

At your previous meeting on 20 May Ministers agreed that the British Railways Board's (BRB's) preferred option of tackling the unions on all the outstanding productivity and efficiency issues and of deferring a pay settlement until a satisfactory position had been reached on these, was probably right. But Ministers were concerned about three aspects, namely:

- i. how and when the BRB would bring matters to a head? what was the likely timing and duration of industrial action? in particular would it be over by roughly mid-August, when the rebuilding of power station coal stocks would need to begin?
- ii. how would the BRB bring a strike to a satisfactory conclusion? what would they regard as satisfactory?
- iii. would it be better to deal with the workshop closures separately from the pay and productivity issues? if so, could the workshop closures be achieved quietly through increased redundancy payments?

The BRB's latest assessment

FLAG A

2. The Secretary of State for Transport and Mr Sparrow have discussed these points with Sir Peter Parker, Mr Reid and Mr Rose, and the BRB has now produced the attached further analysis, which the Secretary of State for Transport will be circulating later tonight. It emerged at that meeting that Sir Peter Parker's preference would be to fight ASLEF first over flexible rostering, but this would require expensive concessions to the NUR and TSSA, which the BRB cannot afford. The BRB therefore stands by its earlier assessment (with one exception) that a fight with all the unions over a wide range of issues is the best and cheapest tactic. The



exception is the workshops. The BRB does not favour special redundancy terms, because of the cost and likely repercussions. But the penultimate sentence of paragraph 6 of their paper implies that they would now prefer not to bring that issue to an immediate head; they will therefore use the possibility of export orders, which is discussed in the Secretary of State for Transport's minute, as a reason for a temporary deferment. Ministers will need to consider if this really is the best tactic; in particular it might look as if the BRB was backing down in response to the NUR's ultimatum that there will be industrial action unless by 7 June the Board have withdrawn their proposals for workshop closures.

3. As to timing, only a deferred (or zero) pay offer or a firm stance on workshops closures seem likely to precipitate a strike from mid-June. The BRB thinks that an official strike over flexible rostering would not begin until 4 July, which is the earliest they can be introduced if the BRB is not to be accused of rushing the normal consultation procedures. The BRB thinks a strike would last for a minimum of 4 weeks and could last 2 or 3 months. So if industrial action started on 14 June it might be over by the end of August; if it did not start until 4 July, it might last until mid-September.

4. The BRB's thoughts on the minimum they would want to gain from a strike are set out on page 4 of their note. Their tactic appears to be that they should be unyielding with ASLEF but accommodating with the NUR. Ministers may feel that the BRB have in fact no clear ideas about how the industrial action might be brought to a successful conclusion. Since industrial action seems almost inevitable now, this may not affect what is said to the BRB on Thursday, but it needs further close consideration.

#### The issues for Ministers

5. The Secretary of State for Transport is seeing Sir Peter Parker on Thursday morning; and the Railway Staffs National Council meets on Friday. Ministers therefore need to decide tomorrow what they want the BRB to do; there is no time for further analysis.

6. Against that background, and bearing in mind the points in the letter of 24 May from the Chancellor's office, the following are points that you might wish





SECRET AND PERSONAL

to raise at tomorrow's meeting:

- a. what are the Government's principal objectives?
- b. in the light of a., what do they want the BRB to do? precipitate an early strike? or draw back?
- c. if the decision is for an early strike, might it not be better for the BRB to keep up the pressure on the workshops? or do Ministers remain of the view that the BRB should seek to keep this separate?
- d. has there been any significant change in other circumstances eg the prospects of industrial action on LT?

Further work

7. If Ministers favour backing the BRB, there are a number of points on which urgent work will be required, viz:

- i. The Board currently has no "game plan" for a strike eg when will they appeal to the workforce over the heads of the unions. They need urgently to develop one and discuss it with the Government.
- ii. The BRB also needs to develop its thinking further, in consultation with Ministers, on what would constitute a satisfactory outcome. In particular we need to know what sort of pay offer they have in mind.

The Secretary of State for Transport might be asked to pursue these points urgently with the BRB.

- iii. The Chancellor has suggested that MISC 72 should report on the wider costs of a strike, particularly to other nationalised industries. This seems sensible, but might be better coordinated by the Treasury.
- iv. Ministers need to decide at what point to start conserving power station coal stocks. The Secretary of State for Energy might be asked to advise on





SECRET AND PERSONAL

this urgently. MISC 57 is monitoring (and will soon report on) the build up of coal stocks; that Group might be asked for a better assessment of roughly when industrial action on the railway needs to be brought to a close.

v. The Chancellor may ask what BRB's management could do to keep services running. We understand that the Department of Transport have explored this with the BRB and that the clear conclusion is that BRB's management could make no significant contribution. A further study would not seem justified.

HANDLING

8. After the Secretary of State for Transport has introduced his paper, I suggest you focus the discussion on the questions in paragraph 6. If the conclusion is that the Government should continue to back the BRB, you might then go on to consider the further work discussed in paragraph 7. Depending on the outcome of the RSNC on 28 May, Ministers may need to meet again towards the end of next week to review tactics and consider the Secretary of State for Energy's views on conserving coal stocks.

CONCLUSIONS

9. You will want to record conclusions about:

- i. the further advice to be given to the BRB;
- ii. the various items of further work in paragraph 7.

*PLG*

P L GREGSON

25 May 1982



Faint, illegible text in the upper section of the document.

Faint, illegible text in the middle section of the document.

COMBULEFOR

III

LONDON

2061 MAY 1962

12 1 2 3 4 5 6 7 8 9 10 11

Faint text at the bottom of the page.



BRITISH RAIL1982 - INDUSTRIAL RELATIONS

1. The Board's preference for Option 4 of the earlier memorandum i.e. to insist upon implementation of Flexible Rostering, other 1981 Productivity items, Workshop closures and rationalisation was based upon the summary of advantage shown. A further and more detailed comment follows about that Option and also the possibility of successfully adopting Option 2 (the continued isolation of A.S.L.E.&F.).

2. What issues will precipitate the conflict?

<u>Issue</u>	<u>Trade Union</u>
1. Board makes no pay offer for 1982	- all Trade Unions
2. Board insists on delivery of outstanding 1981 Productivity items	- N.U.R. and A.S.L.E.&F.
3. Flexible Rostering for Footplate staff implemented following R.S.N.T. 77	- A.S.L.E.&F. (but N.U.R. have around 1,600 Footplate staff members)
4. Rationalisation of B.R.E.L. including Works closures	- N.U.R. (T.S.S.A. and C.S.&E.U. also involved)
5. Board makes a 1982 pay offer linked with Productivity	- N.U.R. and A.S.L.E.&F. (the Unions would probably try to go to arbitration)

3. What are the likely timescales for possible conflict?

1. No pay offer at R.S.N.C. on 28 May leads to conflict around middle of June with all Unions. (The form of action will vary, e.g. T.S.S.A. may simply withdraw from on-going consultations; N.U.R. may additionally ban overtime working. This is minimal action pending the case going to R.S.N.T. but the present strength of feeling in A.S.L.E.&F. and N.U.R. is such that further industrial action, including withdrawal of labour, could well occur).
2. Board insists at R.S.N.C. 28 May the delivery of all outstanding Productivity items leading in the case of N.U.R. to possible conflict against the principle and specifically in respect of Driver Only Operation of St. Pancras-Bedford local services, negotiations on which are proving difficult. The timing of this conflict would depend upon whether the Board set a date for implementation whereas the N.U.R. would expect this to be progressed through R.S.N.T.

In the case of items, other than Flexible Rostering, affecting A.S.L.E.&F., they would be likely to follow, rather than lead, the N.U.R.

/Continued.....



3. What are the likely timescales for possible conflict? (Cont'd)

3. Board advises R.S.N.C. on 28 May of its intention to implement R.S.N.T. 77 in respect of Flexible Rostering. There is a risk of immediate conflict with A.S.L.E.&F. but it is thought that confrontation would be deferred until depot rosters are posted by the Board at certain locations for implementation. This would probably be around 4 July.
4. Board confirms the B.R.E.L. preferred option for Works closures and enforced redundancies. The N.U.R., having already decided to oppose these proposals, would take industrial action from 14 June. C.S.&E.U., although traditionally more moderate, have issued a similar ultimatum (without timescale) and would undoubtedly follow the N.U.R. lead.
5. Board advises Unions at R.S.N.C. on 28 May that there can be no Pay Deal for 1982 until outstanding Productivity issues from 1981 are delivered. This leads to conflict in mid-June as described in Item 1 above.

4. Length of Confrontation

Sporadic disruption could continue for a long time provided employees continue to draw some income from the Board.

The Union policy in this context would be maximum disruption at minimum cost to the Unions, and their members.

The Board's policy would be to take early action leading to a cessation of operations in a bid to bring pressure to bear and an all-out stoppage for whatever reason is likely to run at least four weeks.

Costs of Confrontation

- |  |  |
|--|--|
| (a) A.S.L.E.&F. strike and total loss of revenue but payment of salaries and wages to non-A.S.L.E.&F. members. | Net worsenment =<br>£25 million per week.  |
| (b) Total closure and no payment of wages and salaries.  | Net worsenment =<br>(i) £5.8 million per week.<br>(ii) Figure assumes we can escape Salaried staff costs. If Salaried staff who have "contracts" have to be paid the net worsenment would be around £m.16. per week. |

/Continued.....



5. Are there alternatives within Option 4?

The Board's preference for Option 4 is well known and the tactics to pursue this option are heavily dependent on what is said to the Unions at R.S.N.C. on 28 May and the statements given at the B.R. Council meeting on 1 June. The first date will see the Board's response to the Pay Claim, and the 1 June meeting is an attempt to gain the involvement of the Unions in dealing with the Board's financial difficulties.

If Option 4 is not pursued in this way the problems do not disappear and the Board's approach becomes fragmented.

The attached Appendix shows Option 4 **and variations**, described as Options 3 and 4.

6. Conclusion

The available options are summarised on the attached statements as options 2, 3 and 4.

Clearly option 2 is unsatisfactory in that it fails to meet the Board's basic objectives and creates an unacceptably high price in both the short and long term.

The difference between options 3 and 4 is essentially one of tactics. By giving some limited deferment of the B.R.E.L. programme and time for further discussion and exploration of export possibilities, the N.U.R. may be inclined not to take immediate total action thus maintaining, initially at least, the isolation of A.S.L.E.&F. This would mean that the dispute would be first with the A.S.L.E.&F.

Consideration has been given to the possibility of achieving the same result with N.U.R. by promising generous severance terms for the B.R.E.L. staff involved (rather than deferring the closure decision) but this, we believe, would exacerbate the position with N.U.R. leadership rather than ameliorate it.

The Board remains convinced that the ultimate objectives can only be achieved by the measures outlined in option 4 but as a tactical **move** designed to maintain separation between N.U.R. and A.S.L.E.&F. for as long as possible, will move initially with the proposal to defuse the emotion of the B.R.E.L. scene. Clearly tactics must be revised in the light of emerging events but the ultimate objective must remain.

7. Assessment of Likely Outcome

An all out strike would have serious consequences for the railway industry and cause considerable anxieties amongst the staff. However it would be unrealistic to expect the Trade Unions to "surrender unconditionally" and the Board has to consider on what terms a settlement could satisfactorily be made.

/Continued.....



7. Assessment of Likely Outcome (Cont'd)

The following factors are relevant:-

1. An improvement in pay (i.e. the conditional offer made at the beginning).
2. The productivity items - to consider the minimum position acceptable to the Board.
3. The B.R.E.L. rationalisation proposals - this will probably have been eased in the maximum possible way at the beginning.

We need, therefore, to establish the minimum acceptable position to the Board on the six initiatives:-

1. Open Stations - as the N.U.R. have co-operated and experiments are progressing this should be brought to a conclusion.
2. Driver Only Operation - Passenger Trains - if agreement with the N.U.R. is not possible for the Bedford-St. Pancras service, accept reference to R.S.N.T.
3. Flexible Rostering - N.U.R. to complete implementation of the agreement reached.  
- A.S.L.E.&.F. - implementation of R.S.N.T. decision progressively on a depot basis from 4 July. No room for manoeuvre.
4. Easement of Single Manning - (i) single manning up to 9 hours with Flexible Rostering. No room for manoeuvre.  
(ii) Resume negotiations with N.U.R. and A.S.L.E.&.F. for completion before settlement.
5. Driver Only Operation - non-Passenger Trains - specific trials to be in operation within three weeks of resumption of work.
6. Trainman Concept - negotiations completed and agreement reached before settlement.

There is, however, another vital ingredient - some expression of confidence in the future of the railways; a future based upon effective use of assets and manpower which agreement on the productivity initiatives would herald. It will be essential, therefore, that the Board is able to associate with these positive statements that delivery of productivity will be matched by a better renewals and investment profile.



<u>OPTION</u>	<u>ACTION</u>	<u>PROBABLE CONSEQUENCES</u>	<u>COSTS (NETT WORSEMENT)</u>
2 ISOLATE ASLE&F	<p>(a) At RSNC on 28 May inform ASLE&amp;F that Flexible Rostering for Footplate staff to be implemented sequentially from 4 July, 1982.</p> <p>(b) Offer pay increase of 'x'% from date 'y'. Outstanding 1981 Productivity items to pursued through procedure (RSNT if necessary).</p> <p>(c) Inform TU's before 7 June of Board's decision to defer Workshop closures and rationalisation until such time as Government and BRB have fully investigated export opportunities.</p>	<p>(a) Possible official industrial action by ASLE&amp;F from mid-June; certain action from 4 July; unofficial action possible 29 May onwards.</p> <p>(b) and (c) Unconditional pay offer and easement of BREL position placates NUR and effectively isolates ASLE&amp;F.</p>	<p>(a) £25m. per week unless escalates to total closure, then £5.8m. per week.</p> <p>(b) Delay on productivity items £35m. p.a. *</p> <p>(c) Reduced overheads not realised £18m. p.a. Surplus workforce £6m. p.a.*</p>

\*These are not immediate costs in the short term but any delay in achieving the productivity initiatives delays the introduction of the cost benefits.



<u>OPTION</u>	<u>ACTION</u>	<u>PROBABLE CONSEQUENCES</u>	<u>COSTS (NETT WORSEMENT)</u>
3 EASEMENT OF BREL ONLY	At RSNC on 28 May inform (a) ASLE&F that Flexible Rostering for Footplate staff to be implemented sequentially from 4 July, 1982.	(a) Possible official industrial action by ASLE&F from mid-June; certain action from 4 July; unofficial action possible 29 May onwards.	(a) and (b) £25m. per week, unless escalates to total closure, then £5.8m.* per week.
	(b) Offer pay increase of 'x'% from date 'y' provided all six of 1981 Productivity items have implementation agreed.	(b) Provide Unions with united front; may lead to co-ordinated joint action, from mid-June.	
	(c) Inform TU's before 7 June of Board's decision to defer Workshops closures and rationalisation until such time as Government and BRB have fully investigated export opportunities.	(c) At best, cause re-think by NUR on industrial action or referral to Annual Conference; would isolate any NUR action to pay only, with likely delay until after Conference (i.e. mid-July).	(c) Reduced overheads not realised £18m. p.a. Surplus workforce £6m. p.a. (approx.)

\*This figure could be greater  
if some staff costs cannot  
be avoided - see para. 4.



<u>OPTION</u>	<u>ACTION</u>	<u>PROBABLE CONSEQUENCES</u>	<u>COSTS (NETT WORSEMENT)</u>
4 STAND FIRM - NO EASEMENT	At RSNC on 28 May inform (a) ASLE&F that Flexible Rostering for Footplate staff to be implemented sequentially from 4 July, 1982.	(a) Possible official industrial action by ASLE&F from mid-June; certain action from 4 July. unofficial action possible 29 May onwards.	(a) £25m. per week unless escalates to total closure, then £5.8m. per week.*
	(b) Offer pay increase of 'x'% from date 'y' provided all six of 1981 Productivity items have implementation agreed.	(b) Provide Unions with united front; may lead to co-ordinated joint action, from mid-June.	(b) and (c) Assuming total closure as a result of combined actions = £5.8m. per week.*
	(c) No change in Board's position on BREL workshops closures and rationalisation.	(c) Ensures NUR action, from 14 June.	

\*This figure could be greater  
if some staff costs cannot  
be avoided - see para. 4.



SECRET

25 May 1982

13

PRIME MINISTER

cc Mr Mount

BRITISH RAIL

Your meeting tomorrow evening is the last opportunity to decide how to influence the BR Board's handling of the issues. The Board will have to say something about pay in the Rail Staff National Council on Friday, and will have to know by then whether the Government will back it in a strike; Mr Howell is seeing Sir Peter Parker on Thursday morning. If the Government's message is unclear, or contradictory, or consists largely of further questions, the Board might well take it as an excuse for going its own way. The Board has different objectives from the Government, constantly shifts its position, seldom expresses itself clearly, and shows no feeling at all for the tactics of handling a strike but, like it or not, we have to work with it for the moment.

Shildon and Horwich

It will be helpful to decide what to do about these proposed BREL closures first. The Board wants to avoid trouble by deferring closure (higher redundancy payments would have very far-reaching repercussions elsewhere). This must be wrong:

- (i) it would be nonsensical for the one point of unanimity among the Government and the Board to be something which actually works against greater efficiency;
- (ii) deferment simply creates another problem for next year, which is not so far away (railways problems are a never-ending continuum, in which one issue blends into another);
- (iii) it is the one issue almost guaranteed to bring about an early strike - even if we were prepared to accept deferment we should not play that card, save to bring about a settlement.

The Board's approach

The Board's latest paper is better than the last one. And Mr Howell's discussions with them have clarified the main issues further:

SECRET



SECRET

- (i) Getting into the strike. The Board now agrees there are several ways of provoking an early strike - combining no pay offer with a refusal to be bound by McCarthy is the best one, but BREL closures, and implementation of new rosters on 4 July, are also candidates.
- (ii) Duration. Everyone is guessing, but somewhere between 1 and 3 months.
- (iii) Settlement. The Board's proposed settlement package is sharply biased against ASLEF, who have to accept the new rosters and the trainman; whereas NUR get reference of single manning to McCarthy, and trial operations. The Board would have to try for more than that, or it would in effect be taking on ASLEF alone (which, left to itself, is what it would do). We need to establish what size of "conditional offer" the Board envisages.
- (iv) Investment. The Board is still suggesting that positive statements about investment intentions will be needed, but it was told quite clearly by Mr Howell that that would have to come from its own internal savings.

There is still no sign of the Board's intended management tactics - how it will get its case across to the workforce, what opinion sampling it will do, how it will handle selective action, whether it will contemplate a ballot.

#### Conclusion

I think we know enough for Mr Howell to tell the Board:

- (i) that the Government sees no reason for the BREL closures to be deferred;
- (ii) that the Government would support the Board throughout an extended all-out strike, provided BR brings it to a head soon;
- (iii) that it should try and get into the settlement package actual implementation of all the productivity measures

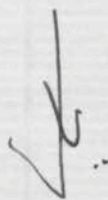
SECRET



**SECRET**

mentioned, and the pay rise ought to be in low single figures; and

- (iv) that it should make a major effort to convince its workforce of the need for these measures.



JOHN VEREKER

**SECRET**