

SUBJECT

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c.c. below + J. Palmer,  
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Transport

10 DOWNING STREET

From the Private Secretary

27 May 1982

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THE RAILWAYS

The Prime Minister held a meeting at 1800 hours yesterday to discuss your Secretary of State's minute to her of 25 May, attached to which was a further assessment from the Railways Board of the handling of the various industrial relations matters now facing them; and Mr. Sparrow's minute of 26 May. Also before the meeting were the letter to me of 24 May from the Chancellor of the Exchequer's private secretary; and your letter to me of 26 May. Those present, apart from your Secretary of State, were the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Energy, Scotland, Industry and Employment, the Chief Secretary, Treasury, Mr. Sparrow (CPRS) and Sir Robert Armstrong and Mr. Gregson (Cabinet Office).

Your Secretary of State said that since Ministers' previous meeting the British Railways Board (BRB) had re-assessed a number of aspects of the handling of the pay negotiations, the proposed workshop closures and the outstanding improvements in productivity which they were seeking. Their preference now (Option 3 in their latest assessment) was to seek initially to confront ASLEF separately over the implementation of flexible rostering; and not to press ahead for a few months with the proposed workshop closures. They also had it in mind to make a specific pay offer, which would be conditional on the implementation of all the six items in the 1981 understanding on productivity, at the meeting of the Railway Staff National Council (RSNC) on 28 May. He profoundly disagreed with the BRB on this point and proposed to seek to dissuade them from making any pay offer at this stage. The overall approach reflected the BRB's judgement that it would be best to be firm with ASLEF, but to leave some room for manoeuvre with the NUR. If the question of workshop closures were temporarily to be left to one side - and this, he considered, should be a matter for the BRB - the Board's present proposals would be unlikely to bring matters to a head before 4 July, when flexible rosters were to be implemented. He would impress on the Board the importance of advancing this timetable, but they were concerned to allow adequate time for the normal process of local negotiations over the details of new rosters. He would continue to press the

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Secret + Personal

SECRET AND PERSONAL

Board to develop its thinking urgently, in consultation with the Government, on the handling of a strike, what the minimum acceptable outcome might be and how this might be achieved. Subject to these points, he recommended that he should tell the BRB that they would have the Government's backing in facing up to industrial action, were that to prove necessary to achieve their productivity and other aims.

In discussion it was argued that, while Ministers could have little confidence in the BRB's judgement or handling of their industrial relations problems, the Government must now back them. However, in the longer term it would be essential to seek to remedy some of the weaknesses of the present Board; that was an essential pre-requisite to the development of a sensible long-term strategy for the railways. The Board's judgement that a confrontation with all the trades unions concerned was the best tactic seemed on balance to be right; the alternative approach was very likely to lead to a series of disputes and therefore to be a very costly, lengthy, and disruptive approach. There was probably also merit in deferring for a few months any confrontation with the NUR over workshop closures. This was an issue on which the trades unions could without difficulty undermine public support for the BRB and which it would therefore be very difficult for the BRB to win; but it would eventually need to be faced, and enhanced redundancy payments seemed to provide no easy solution. It seemed wholly inappropriate for the Board to make any quantified pay offer at this stage. There was a clear danger that, if they did so, McCarthy would be invoked, and further time would be lost. The BRB should, rather, indicate that its eventual pay offer would depend on the implementation of all the outstanding productivity improvements. It was in any case difficult to see how the BRB could formulate a firm pay offer when it had no clear idea of the productivity improvements it might eventually achieve and their impact on its finances or the costs of possible industrial action. It would be a mistake for the Government to seek to dictate tactics, but the BRB should be strongly pressed to reconsider this point. If early progress on workshop closures were to be ruled out, industrial action might well not begin before 4 July, when flexible rosters were to be introduced. Failure to make any pay offer in the coming weeks, however, might well bring matters to a head. If industrial action took the form of a less than all-out strike the BRB could well have to close down the railway system, to minimise the costs. There was a real danger that industrial action might last until well into the autumn; indeed the BRB might, regrettably, see some advantage in engineering such a situation.

/ The Prime Minister

SECRET AND PERSONAL

The Prime Minister, summing up the discussion, said that the British Railways Board's handling of their industrial relations problems was most unsatisfactory. They appeared to have given inadequate thought to how a strike might best be handled and, in particular, to the measures that they might need to take, such as direct appeals to the workforce, to engineer a satisfactory outcome; and they had, as yet, no clear view on what they would regard as a minimum acceptable outcome. It was also far from certain that the Board would agree or be able to bring matters to a head much before 4 July and without any invocation of McCarthy, but if they failed to do so there was a real danger that a lengthy rail strike would prevent an adequate build-up of power station coal stocks by the autumn. The only approach that seemed guaranteed to precipitate an earlier strike was for the Board to press ahead with the proposed workshop closures, but this carried a significant danger that the trades unions would succeed in mobilising public opinion against the Board on this issue. Nonetheless, if there was to be a strike, the Government would not withdraw its support from the Board. The Secretary of State for Transport should seek an early meeting with Sir Peter Parker, Mr. Reid and Mr. Rose and put the following points to them. First, there could be no question of the Government agreeing to provide the Board with extra finance. The Board would need to meet the costs of a strike or of keeping the workshops open for a further period from within their existing financial limits; nor could the Government offer any promises about future investment. Second, it was for the Board to decide how best to handle the question of workshop closures; if they were to conclude that this should be deferred for a few months the Government would not press them to do otherwise. Third, given the Board's financial position, the uncertainties about productivity improvements, the likely costs of a strike, and the risks of involving McCarthy, they should reconsider the wisdom of an early quantified pay offer; it would be far better for them simply to indicate to the trades unions that the Board would be prepared to discuss this year's pay increase only when there was implementation of the various outstanding productivity measures. A pay increase could then form part of the settlement of a strike. Fourth, if there were to be a strike, the Government would not withdraw its support from the Board. But it was important that any strike should be brought to a conclusion before September; thus there would be much advantage in bringing matters to a head before 4 July. Fifth, the Board would need to develop its thinking in much greater detail, quickly and in consultation with the Government, on the best tactics for handling a strike and the minimum acceptable terms for a settlement. The Secretary of State for Transport should report on the outcome of his further discussions with Sir Peter Parker and his colleagues and of the meeting of the Railway Staffs National Council on 28 May in time for a further meeting of Ministers.

The impact of a rail strike on power station coal stocks and endurance would need to be closely monitored. The Secretary of State for Energy should alert Ministers if it seemed necessary to take measures to conserve power station coal stocks; and the Official Group on Coal (MISC 57) should examine whether the point at which a rail strike might need to be brought to a close if power station coal

/stocks were

SECRET AND PERSONAL

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stocks were to be rebuilt by 1 November, could be more precisely defined than at present. Finally, a rail strike would have an early and serious impact on the finances of not only the Railways Board but also British Steel Corporation and possibly other nationalised industries as well. The Chancellor of the Exchequer should arrange for the Treasury in consultation with the other Departments concerned to analyse what the scale of the financial impact of a rail strike on the nationalised industries was likely to be.

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, Defence, Energy, Employment, Scotland, the Chief Secretary, Treasury, 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.

Yours sincerely,

Michael Sobel

Anthony Mayer, Esq.,  
Department of Transport.

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