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cc JZ



DEPARTMENT OF TRANSPORT
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01-212 3434

Prime Minister (4)

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

His 9/9

8 September 1982

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Dear Len

Thank you for your letter of 13 August about railway industrial relations.

I should like to refer to what you said about hotels. Of course I am pressing the Board to sell the hotels this year on acceptable terms and to overcome the possible delays. How they achieve that is something on which I must leave Sir Peter Parker and his Board some room for judgement and manoeuvre. I certainly could not press them, against their judgement, to proceed with the original plan of putting advertisements in the national press this month inviting tenders, just when we are waiting for Lord McCarthy's report. The NUR are committed to considering this at a reconvened national conference hopefully early next month. In the end their views about the hotels may add up to no more than huffing and puffing. The Board will wish to proceed anyway. But I see nothing whatsoever to gain from encouraging the Board to 'go public' until this conference has passed and every chance that such a course might make the sale that much more difficult. So while they should certainly get on with it all in good time I think it is only commonsense to leave the detailed handling and timing to them.

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I am sending copies of this to the Prime Minister,
the other members of MISC 80, Sir Robert Armstrong and
Mr Sparrow.

Yours

David
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DAVID HOWELL

*Transport, BR Fares,
A4 5*

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cc JV *LM* 13/14

Transport

Treasury Chambers, Parliament Street, SW1P 3AG

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

13 August 1982

D. Davis,

You wrote to the Chancellor on 3 August setting out the latest position on Railway industrial relations.

On the major issues, the settlement of the flexible rostering issue with the drivers is welcome. We will clearly need to watch implementation. More generally, I suggest that officials should take stock in early September when Lord McCarthy has reported. At that stage we may need to give the Board a steer.

I agree that our officials should keep in close touch over the next few weeks about the Board's finances. We will need the clearest possible view of their financial position this year and next and the options open to them to improve it by the middle of next month when we start on the next stage of decision taking about the 1983-84 EFL.

On hotels, you have discouraged a deal which apparently was not in the best interests of either the Board or the Exchequer. I hope that the Board are now getting ahead with testing the market and drumming up alternative bids. Now that your refusal of consent is widely known, I do not think much would be secured in industrial relations terms by holding back on this exercise until the remaining industrial relations problems have been sorted out. The latter could take a long time and the present issues will no doubt be replaced by new ones. Delay may mean the Board failing to deliver on its commitment to sell the hotels this financial year. I am sure we must press the Board to get ahead with this. And with the unions it might perhaps be possible to make something of the fact that the new owners of Gleneagles and other former British Rail hotels are planning fresh investment.

I am sending copies of this to the Prime Minister, the other members of MISC 80, Sir Robert Armstrong and Mr Sparrow.

*Yours,**con*

LEON BRITTAN

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DEPARTMENT OF TRANSPORT
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Prime Minister 2

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The Rt Hon Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1

3 August 1982

Dee Selmer

mt

RAILWAYS

The British Railways Board appear now to have settled the matter of flexible rostering for drivers. A key feature of the agreement they have reached is that drivers will only move to a 39 hour week as flexible rostering is introduced at their particular depot.

Lord McCarthy's Railway Staffs National Tribunal has started its hearings today on the Unions' pay claims and related issues. I understand there is some hope that the Tribunal may be able to report by the end of August, but we shall have to see. I have made clear to the Board our position as we agreed at our last meeting, and it is reflected in the Board's submission to the RSNT. Sir Peter Parker has been content at this juncture not to seek any restatement of the position on future investment prospects. We must expect him to press these issues if and when he has reached a resolution with the NUR.

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The Board must now start shaping their 1983 budget and will be a long way committed before we can reach final decisions about their 1983/84 EFL. We shall certainly need to consider whether we can give them provisional guidance by the end of August, and my officials will keep in close touch with yours over the coming weeks.

I have had to discourage Sir Peter Parker firmly from pursuing ideas to go ahead immediately with the sale of most of the hotels to a city consortium, brought together by the hotels management, at a significant discount below the valuation he has had, without testing the market. The privatisation of the hotels group will in consequence be an additional complication in the Board's handling of their industrial relations, but I have had to conclude that the solution that had been advanced, though more acceptable to the unions, was not otherwise defensible.

I am sending copies of this to the Prime Minister, to the other members of MISC 80, to Sir Robert Armstrong and to Mr Sparrow.

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DAVID HOWELL