

PREM 19/932

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PART 3


Confidential Filing

British Rail fares
Industrial Action by NUR + ASLEF
Possible line closures
British Rail finances
Railway Policy
BR Pay Negotiations

TRANSPORT

Part 1: Sept 1979

Part 3: Feb 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
10.2.82		8.3.82					
12.2.82		9.3.82					
16.2.82		15.3.82					
17.2.82		16.3.82					
18.2.82		15.3.82					
19.2.82		17.3.82					
23.2.82		19.3.82					
24.2.82		31.3.82					
26.2.82		8.4.82					
1.3.82		14.4.82					
2.3.82		15.4.82					
3.3.82		5.5.82					
4.3.82		7.5.82					
		- Pt Ends -					
							

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PART 3 ends:-

Gregson to MCS (p.0735) S
7/5

PART 4 begins:-

s/s Transport to PM + att S
10/5

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CCU (82) 11	19.2.82
CC (82) 5th Conv. Min 4	11.2.82
CC (82) 6th Conv. Min 4	18.2.82
CCU (82) 14	8.3.82

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed R. Porman Date 31 Oct 2012

PREM Records Team

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Prime Minister
Mus 7/5

P.0735

MR SCHOLAR

IMPACT OF A RAIL STRIKE ON POWER STATION COAL STOCKS

As background to next week's Ministerial discussion about the McCarthy Report, I attach a report by the Official Group on Coal (MISC 57) which discusses power station endurance in the event of a rail strike and the impact of such a strike on power station coal stocks next autumn. The main points are:

i. In the event of an early rail strike power station endurance would not be less than 20 weeks and could be very much higher.

ii. If there were an early rail strike lasting for no more than 8 weeks or so, power station coal stocks could still be increased as planned to the maximum level physically possible, or very near it, by November. To achieve this, increased power station oilburn might be necessary after as well as during a strike. A protracted rail strike, particularly one starting late in the summer, could make it impossible to rebuild stocks by November.

2. As further background, Ministers may wish to look again at the Civil Contingencies Unit's report (circulated by the Home Secretary with his minute of 30 March to the Prime Minister) on the impact of a rail strike on iron and steel production, the chemical industry and oil supplies - the sectors which previous work identified as most likely to be affected by a rail strike. I understand that the Departments most directly concerned have no new information to add to this report.

3. I am sending copies of this minute to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Energy, Industry, Defence, Scotland, Transport and Employment and to Sir Robert Armstrong and Mr Sparrow.

Pg
P L GREGSON

7 May 1982

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THE IMPACT OF A RAIL STRIKE ON POWER STATION COAL STOCKS

Note by the Official Group on Coal

(MISC 57)

INTRODUCTION

1. This report:
 - i. sets out likely power station endurance in the event of an early rail strike; and
 - ii. discusses the impact of such a strike on the level of power station coal stocks by the autumn

as background to Ministers' consideration of the issues raised by the forthcoming report on flexible rostering from the Railway Staffs National Tribunal. The impact of a rail strike on industry is discussed in the report by the Civil Contingencies Unit circulated with the Home Secretary's minute to the Prime Minister of 30 March 1982.

POWER STATION ENDURANCE

2. It is difficult to predict what form further industrial action on the railway might take. It is by no means certain that ASLEF would call an all-out strike, but lesser forms of industrial action might so disrupt operations as to leave the BRB with no choice but to close the railway system down. We have therefore adopted the arbitrary working assumption for the purpose of analysing the impact on power station coal stocks that all deliveries of coal by rail might cease from 17 May.
3. The effect of a rail strike on power station endurance and coal stocks next autumn would also depend on the extent to which the National Union of Mineworkers (NUM) would be prepared to co-operate in the delivery of coal to the power stations by other means of transport. This is difficult to forecast, although a pointer to the likely attitude of the miners themselves is that pithead coal stocks are now high and in at least a few cases storage capacity

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might be exhausted after perhaps 3-4 weeks of a rail strike if coal was not delivered by other means. Once storage capacity was exhausted production at some pits might have to be reduced or stopped; and although other work would be available for the miners, their earnings would be reduced. We have, therefore, considered the following two possibilities:-

- i. full co-operation from the NUM in increased road deliveries of coal and in the continuation of deliveries by conveyor, inland waterway and coaster; and
- ii. no co-operation from the NUM. This is unlikely to result in a complete ban on coal deliveries. The more probable result is that deliveries by road, conveyor and water-borne transport would be allowed to continue at their normal levels, but not to increase.

4. In the event of an all-out rail strike from 17 May power station endurance in England and Wales might be as follows:-

	million tonnes of coal (or equivalent) per week	
	with co-operation from the NUM	with no co-operation from the NUM
total coal deliveries	0.58	0.33
average weekly power station consumption	1.3	1.3
shortfall	0.72	0.97
maximum oilburn	0.4	0.4
power from Scotland	0.08	0.08
weekly reduction in stocks	0.25	0.49
Estimated useable power station coal stocks by 17 May	18	18
Theoretical endurance	over 70 weeks	over 36 weeks

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5. Even in the worst case of a complete ban by the NUM on the movement of coal, power station endurance would be over 20 weeks.

6. The cost of maximum oilburn might be £30 million per week.

POWER STATION COAL STOCKS NEXT AUTUMN

7. Ministers have already decided to aim for coal stocks at the power stations of 24 million tonnes in England and Wales (about 27 million tonnes including Scotland) by the autumn. The impact on this of further industrial trouble on the railways would depend on the form that any further industrial action took, its duration and the extent of co-operation from the NUM (see paragraph 3 above). The weekly reduction in planned power station coal stocks in England and Wales in the event of an all-out rail strike from 17 May might be as follows:-

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	million tonnes of coal (or equivalent) per week	
	with co-operation from the NUM	with no-cooperation from the NUM
coal - by road	0.35	0.1
- by conveyor and water-borne transport	0.08	0.08
- imports/by coaster* from UK pits	0.15	0.15
	0.58	0.33
Planned level of coal deliveries	1.95	1.95
	1.37	1.62
shortfall	1.37	1.62
maximum power station oilburn	0.4	0.4
power from Scotland	0.08	0.08
	0.89	1.14
net weekly reduction in planned coal stocks	0.89	1.14

* Any increase in imports would be at the expense of deliveries by coaster from the North East to Thameside power stations; imports through other ports would probably be blocked by the miners, the dockers or the railwaymen.

8. Thus a four week all-out rail strike might reduce planned power station coal stocks by between $3\frac{1}{2}$ and $4\frac{1}{2}$ million tonnes. Provided that a super-accelerated rate of delivery could be resumed quickly after the end of a rail strike this reduction in stocks could be made good and total power station stocks of 24 million tonnes achieved by November, through the continuation until then of the present super-accelerated rate of coal delivery, without the need for any increase in power station oilburn over the summer. If, however, the NUM were to refuse to co-operate with super-acceleration in September and October some increase in power station oilburn might prove necessary at that stage (as well as during the rail strike), in order to achieve maximum power station coal stocks by November.

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9. An eight week all-out rail strike might reduce planned power station coal stocks by between 7 and 9 million tonnes. This shortfall could almost certainly only be made good by some increase in power station oilburn during the summer as well as during the rail strike, even if super-acceleration proved possible in September and October. But at this stage it is impossible to predict how much extra oilburn might prove necessary.

10. In general these assessments would stand for rail strikes beginning later than our arbitrary assumption of 17 May; in most cases a reduction in the period following a rail strike during which power station coal stocks could be rebuilt would be largely offset by higher coal stocks when the strike began. But that might not prove to be the case in the event of a lengthy rail strike starting significantly later in the year eg. August or later.

POWER STATION ENDURANCE IN SCOTLAND

11. In the event of a rail strike, the shortfall in coal deliveries to the power stations in Scotland could largely be made good by increasing deliveries by road. Even if the NUM were to block the delivery of coal by road and conveyor, it would still be possible, by maximising power station oilburn, to maintain electricity supplies at normal levels, to export maximum power to the CEGB and to run power station coal stocks down only very gradually. The cost of such oilburn would be of the order of £3 million per week.

12. If it were to prove necessary because of a rail strike for the SSEB to export power to the CEGB through the interconnector during the summer, it might not be possible for power station coal stocks in Scotland to reach the maximum physically possible level by the autumn. But endurance could be substantially extended by introducing power station oilburn.

Cabinet Office

6 May 1982

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Covering Secret and Personal



10 DOWNING STREET

(1)

Prime Minister

McLarney / Rail / Coal meeting.

I attach some of the papers for this meeting,
Now arranged for Wed morning.

I have invited provisionally

Home Secretary

Transport Secretary

Energy "

Chief Secretary

Employment "

Scottish "

Defence "

Industry "

Robert Armstrong

Peter Gregson + Cabinet Office note-taker

John Sparrow

Agree?

MCS 7/5

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Prime Minister

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~~MR. SCHOLAR~~

If a strike is inevitable
=
it would be best to have it soon.

BR: The McCarthy Report

MS 7/5

(attached) I do not think the Prime Minister need read the report of the McCarthy Tribunal, which has been sent to you under cover of Mr. Howell's Private Secretary's letter of today; there is a good deal of small print which MISC 72 has been over once, and a considered analysis of it will be available in time for the Prime Minister's meeting planned for Wednesday morning. But I think the Prime Minister ought to know that, in my view, Mr. Howell's first reaction to it may give a slightly misleading impression of the extent to which the Report takes the matter forward.

It is certainly true that the Report clearly and unequivocally endorses the principle of flexible rostering. But the safeguards and qualifications do considerably more than "somewhat inhibit the most advantageous application" of the recommendations. Apart from the easily quantifiable safeguards - flexibility limited to not more than 20% of rosters exceeding 8½ hours, the majority of rosters being less than 8 hours, no reallocation of work between depots, and "specific rewards" for staff whose responsibilities are directly affected - there is a provision for flexible rostering to be negotiated and introduced at local level, and to be referred up to the normal negotiating machinery in the event of disagreements there. McCarthy says that for the first six months of such a period of disagreement, the new rosters should be deferred, and the position thereafter is unclear. If, therefore, ASLEF adopt the tactic of accepting the Report (which they will find difficult, because it means accepting the end of the 8 hour day) there is plenty of scope for them to obstruct matters almost indefinitely in such a way that the benefits of flexible rostering are not achieved.

I doubt if they will

There is one other point which I think the Prime Minister should have in mind as background to her consideration of the award. That is, that everything now points to the inevitability of some form of industrial action on BR, but not until the summer. The implementation of flexible rostering, the intractable nature of this year's pay round, the BREL closures and the single manning of the

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Bedford-St. Pancras route, all provide potential flashpoints; but the McCarthy Report provides sufficient opportunities for ASLEF prevarication to make it most unlikely that matters will come to a head before July. If, in practice, things move slower still - and on the railways, they tend to - there is now a possibility of the one scenario which MISC 57 has identified as threatening our strategy for dealing with the coal-miners, namely an extended period of disruption on the railways in the two months leading up to the NUM pay negotiations. Among all the other factors which Ministers will have to weigh in determining their strategy for coping with BR issues over the next few weeks, it must not be overlooked that time will not be on our side.

J.M.M.

J.M.M. VEREKER

7 May 1982

SECRET

Friday, May 7, 1982

RAILWAY STAFF NATIONAL TRIBUNAL DECISION 77

Decision 77 is concerned with the proposals of the British Railways Board for the introduction of 'flexible rostering' to footplate staff.

The Tribunal's decision is that the parties should agree to a system of flexible rostering for footplate staff subject to the terms of a 'safeguards and Criteria Agreement', which it specifies in its award and is summarised below. The Tribunal also recommends the modification of existing national agreements dealing with the 8 hour pay guarantee and 'double manning'. (See paragraph 207).

By 1985 such an agreement would represent a saving of about 2% a year of footplate labour costs. (See paragraph 140).

The Tribunal finds that ASLEF's proposal to operate within limits set by the present national agreements, would add to overall labour costs. For this reason they cannot be said to offer the necessary improvement in productivity. (See paragraph 135).

But the Tribunal says it is all too well aware of the genuinely held concerns of ASLEF and its members about the effects of the Board's proposals. The ASLEF fear that flexible rostering would represent a worsening of its members conditions. (See paragraph 142)

The Tribunal's solution is therefore to make flexible rostering, on the lines suggested by the Board, dependent upon prior agreement to a series of safeguards and criteria covering such matters as hours of work, overtime earning levels and existing agreements and practices. These safeguards are designed to meet all the significant fears and concerns of the ASLEF. They provide an effective alternative to the 8 hour guarantee agreement.

The Tribunal suggests:

'taking the Board at its word: what the Board says will not happen, and has not happened in the case of guards, we propose should be guaranteed'

The Tribunal has always sought to provide solutions "compatible with the maintenance and improvement of productivity and efficiency".

The Board is justified in believing "that if they are to obtain the essential capital for investment and modernisation which they require from Government they must be able to demonstrate that they are making progress in implementing the 1981 Undertaking on Productivity".

Unless progress is made on the question of flexible rostering:

'The future outlook for the railway system and railwaymen is bleak and unpromising ... Yet nothing we have said is intended to justify unilateral action or confrontation. We have done our best to bridge the very considerable difference which we found between the parties ... Further improvement is up to them'.

The specific proposals of the Tribunal may be summarised thus:-

1. Safeguards and criteria

a. Hours of Work

The majority of turns should not be above 8 hours. Not more than 20% of turns should normally be above 8½ hours.

Successive turns in excess of 8½ hours should not normally be worked by drivers without agreement.

There should be no increase in the number of turns signed on or off between midnight and 5.00 am.

There should be no increase in the travel problems for drivers getting to and from work.

Flexible rostering need not lead to greater uncertainty concerning future work pattern and the availability of time off.

Drivers should not have to work a significant increase in the amount of overtime because of working spare turns, special trains, public holidays or weekends.

Rostered rest days should be guaranteed.

b. Earnings

There should be no significant variation in the earning levels of drivers.

c. Local Agreements and Practices

There should be no significant effect on local agreements and practices.

d. Mutual Exchanges

Drivers should be able to continue exchanging rosters without undue difficulty.

e. Medically Restricted Work

The amount of work available for medically restricted drivers should not be significantly reduced.

f. Limiting Assumptions

It should not involve any alteration in the allocation of work to depots, traction training, changes in existing link structures or compulsory redundancies.

Nor will it involve any change in permitted driving time.

2. Procedures for resolving disagreements

Particular rosters should be decided jointly by Local Departmental Committees.

If disagreement arises new rosters should be deferred.

The position to be reviewed after six months.

The parties should agree an extension to the period unless there is evidence of a large number of disputes.

3. Modification of Manning Agreements

With the safeguards listed above the parties should negotiate a change in the Manning Agreement to permit rosters up to 9 hours to be single manned within the terms of 2(d) of the Productivity Understanding.

4. Issues Outstanding

There should be negotiations for specific rewards to staff directly affected by the new arrangements.

Progress should be made on the items still outstanding in the Understanding on Productivity.

Notes to Editors:

1. The Railway Staff National Tribunal (RSNT) is comprised as follows:

Lord McCarthy (Chairman)
Mr G H Doughty and Mr E F Choppen

Mr C L Parsisson is Secretary

2. Copies of Decision 77 may be obtained on application to the RSNT Secretary, Cleland House, Page Street, London SW1P 4ND (Telephone: 01-211-7651)

CONFIDENTIAL

cc J



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Prime Minister

Michael Scholar Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

7 May 1982

Dear Michael,

BRITISH RAIL - INDUSTRIAL RELATIONS

Today's report by the Railway Staffs National Tribunal under Lord McCarthy endorses in full British Rail's case for flexible rostering for train drivers, and rejects ASLEF's counter proposals. But it adds a number of detailed safeguards, intended to meet the drivers' anxieties. These could somewhat inhibit the most advantageous application of what the Tribunal has now recommended.

All the parties will want to study the report. The British Railways Board will initially give it a general welcome, provided that it is applied constructively. My Secretary of State thinks we should make no immediate comment.

Mr Howell will circulate on Monday an appreciation by the official group MISC 72, for the meeting on Wednesday morning. The Railways Board will take no decisions meanwhile.

He thinks we shall need on ^{wednesday} ~~Tuesday~~ to review various major problems now facing the British Railways Board on the industrial relations front, and he will send the Prime Minister a separate minute on that.

I am copying this to the Private Secretaries to the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Energy, Employment, Scotland, Industry and Defence, and Sir Robert Armstrong.

Yours,

Anthony Mayer

R A J MAYER
Private Secretary

RAILWAY STAFF NATIONAL
TRIBUNAL

DECISION NO. 77

THE TRIBUNAL WAS ASKED TO CONSIDER THE PROPOSAL BY
THE BRITISH RAILWAYS BOARD FOR THE IMPLEMENTATION OF
SUB-PARAGRAPH 2(c) OF
THE 1981 PRODUCTIVITY UNDERSTANDING
TO FOOTPLATE STAFF AND TO AWARD

May 1982

BRITISH
RAILWAYS

RAILWAY STAFF NATIONAL TRIBUNAL

INTRODUCTION

1. The Railway Staff National Tribunal (RSNT) is established under Part VI of the Appendix to the Memorandum of Agreement dated 28 May 1956, known as the 'Machinery of Negotiation for Railway Staff 1956', between the British Transport Commission (now the British Railways Board) (BRB) of the one part, and the National Union of Railwaymen (NUR), the Associated Society of Locomotive Engineers and Firemen (ASLE&F) and the Transport Salaried Staffs' Association (TSSA) of the other part.
2. The function of the RSNT is to hear and decide, in respect of employees to whom the Machinery of Negotiation is applicable, issues as to standard salaries, wages, hours of duty and other standard conditions of service, which have been agreed or decided in the prescribed manner to be issues of major importance and which have been previously considered by the Railway Staff National Council (RSNC).
3. The following constituted the RSNT during consideration of the present case:-

Lord McCarthy	MA DPhil	- Chairman
E Choppen,	Esq	- nominated by the BRB
G H Doughty,	Esq	- nominated by the Railway Unions
4. The Machinery of Negotiation provides that at the desire of the parties to the issue the RSNT may be assisted by representatives of the parties sitting as Assessors. On the present occasion, the Assessors were:-

BRB	- A G Gouldstone, Esq., F Kitching, Esq.
NUR	- T Ham, Esq., W Fordham, Esq.
ASLE&F	- D Fullick, Esq.
TSSA	- S Cohen, Esq., MP

5. Under the procedure laid down in Part VI of the Machinery of Negotiation, the parties forwarded statements of claim, defence and terms of reference to the RSNT.

6. The terms of reference were:-

"To ask the Railway Staff National Tribunal, established under Appendix, Part VI, to the Agreement in regard to the Machinery of Negotiation for Railway Staff, dated 28th May 1956, to consider under paragraph 65(b) the proposals of the British Railways' Board for the implementation of sub-paragraph 2(c) of the 1981 Productivity Understanding to footplate staff and to award".

7. The RSNT heard the parties on 15 and 16 March 1982. The case for BRB was submitted by Mr C A Rose. Submissions were made for NUR by Mr R Tuck and for TSSA by Mr T Jenkins. Mr R Buckton replied on behalf of the ASLE&F. The hearing was in public as agreed by the parties.

8. Between the 30 March 1982 and 2 April 1982 the members of the Tribunal accompanied by the Assessors, visited York, Polmadie (Glasgow), Bristol Bath Road and Euston where they had the opportunity to meet local management and members of the Local Departmental Committees.

BACKGROUND

9. During the 1980 pay negotiations for workers in the railway industry the Board accepted commitment to a reduction in the standard working week by an average of one hour from 1 November 1981 providing this was in the context of discussion of measures to minimise the cost effect.

10. Negotiations on a pay increase for 1981 did not result in agreement; as a consequence the disagreement was referred for determination to the RSNT. In Decision No. 75 the RSNT recommended that 8% should be paid from 20 April 1981 with an additional 3% paid from 1 August 1981 (on 19 April 1981 rates of pay).

11. Following publication of Decision No. 75 the BRB and the three railway trade unions were unable to reach agreement at the Railway Staff National Council, the BRB stating it was unable to fund the additional increase unless there was more progress with productivity initiatives. Because of threatened industrial action it was decided to seek assistance from the Advisory, Conciliation and Arbitration Service (ACAS). Discussions at ACAS took place on 18, 19 and 20 August 1981 at the end of which two separate understandings were signed by BRB and the three rail unions. One on productivity committed the parties to complete discussions by given target dates on the open station concept, manning of passenger trains, variable rostering hours within limits to be negotiated, easement of conditions for single manning of traction units, manning of freight trains and the trainman concept. The second understanding in relation to pay provided for (1) the payment of an 8% increase in pay from 1 April 1981 (2) a further 3% increase in pay from the beginning of January 1982 retrospective to 3 August 1981 (3) deferment of the introduction of the shorter week from 1 November 1981 until the beginning of January 1982. The understandings reached in the discussions at ACAS were endorsed as agreements at a meeting of the RSNC on 27 August 1981.

12. The defined target date for agreement on variable day rostering was 31 October 1981 to facilitate the introduction of the shorter working week from 4 January 1982. Negotiations on variable day rostering commenced in each Section of Railway Staff Joint Council, were completed in December for Traffic Staff. Six meetings were held of the Railway Staff Joint Council (Locomotive Section) (RSJC Loco) between 2 September 1981 and 30 November 1981 but the target date was overrun without any agreement being reached.

13. Following the 30 November meeting at which there was a recorded failure to agree, an RSNC meeting was held on 2 December. At this meeting there was a recorded failure to agree on the method of implementing the shorter week for footplate staff. The Board endeavoured to arrange a return to ACAS under the terms of the August understanding, but this was unsuccessful.

14. On 23 December 1981 the BRB wrote to the ASLE&F and NUR

notifying them that for those staff covered by the RSJC (Loco) they would not introduce the shorter week from 4 January 1982 nor would they make payment of the additional 3% increase in wages.

15. As a result of this decision by the BRB the ASLE&F took industrial action.

16. Talks at ACAS on 19, 22 and 26 January 1982 failed to resolve the dispute between BRB and ASLE&F. The Chairman of ACAS announced on 2 February 1982 the setting up of a Committee of Inquiry. After taking written and oral submission from BRB, NUR and TSSA on 9, 10 and 11 February 1982 the Committee made certain recommendations. ASLE&F, although invited to do so, made no formal submission to the Committee and were not represented at the hearings. The Committee's summarised recommendations were as follows:

"Para 113.

(1) The ASLE&F should confirm its continued commitment to the understandings of August 1981 as endorsed by the RSNC - in specific terms sub-paragraph 2(c) of the productivity understanding and paragraph 2 of the understanding on pay.

(2) The parties should agree to procedure for dealing with the way in which sub-paragraph 2(c) of the productivity understanding is to be applied to locomotive grades.

This should take the following form:-

(i) There should be a meeting of the RSJC (Loco) within seven days to consider the Board's proposals to implement sub-paragraph 2(c). Unless agreement is reached within seven days, or the RSJC (Loco) agrees to extend the period, a failure to agree should be recorded at a meeting of the RSNC held within a further two days.

(ii) Unless, at the meeting of the RSNC agreement is reached, or the RSNC agrees to extend the period,

reference should be made to the RSNT. This reference should take preference over all other outstanding references.

(iii) Unless there is agreement to extend the period of consideration by either RSJC (Loco) or the RSNC, the parties should agree to a hearing before the RSNT on one of the following dates:- 15, 16 or 19 March 1982.

(iv) Reference to the RSNT should be by the use of either Paragraph 65(a) or 65(b) of the Machinery. If it is not possible to secure agreement for the use of binding arbitration, the parties hold agree to abide by the more customary procedure under Paragraph 65(b).

(v) The terms of reference for the RSNT should be as follows:-

"To ask the Railway Staff National Tribunal, established under Appendix, Part VI, to the Agreement in regard to the Machinery of Negotiation for Railway Staff, dated 28th May 1956, to consider under paragraph 65(a) (b) the proposals of the British Railways' Board for the implementation of sub-paragraph 2(c) of the 1981 Productivity Understanding to footplate staff and to award".

(3) As soon as the procedure is agreed the ASLE&F should agree to call off all forms of industrial action. At the same time the Board should implement paragraph 1(ii) of the 1981 Pay Understanding.

(4) On the publication of our report the Chairman of ACAS should bring the parties together to assist the parties to draw up and agree the terms for its implementation."

17. Following talks at ACAS on 17/18 February 1982 the recommendations of the Committee of Inquiry were accepted by BRB and the three rail

unions. At a meeting of the RSJC (Loco) on Thursday 25 February 1982 BRB and ASLE&F recorded a failure to agree on the Board's proposals for the implementation of sub-paragraph 2(c) of the 1981 Productivity Understanding. A failure to agree was also recorded at a meeting of the RSNC on Monday 1 March 1982. The problem was referred to RSNT in accordance with the Committee of Inquiry's recommendation in paragraph 113(2)(ii) of its report.

MAIN POINTS OF THE SUBMISSION BY THE BRITISH RAILWAYS BOARD

18. The 1980 Pay Agreement which included a commitment to the reduction of one hour in the standard working week from 1 November 1981, was clearly understood to be on a minimum cost basis requiring negotiations on changes in national agreements and working practices. This was entirely consistent with RSNT Decision 63. The items tabled by the Board for negotiation included flexible rostering and easement of traction manning arrangements.

19. The Board's adoption of the 8% plus 3% pay increase, recommended by the RSNT in Decision 75, followed the understanding reached with the assistance of ACAS that there would be trade union commitment to negotiate on six specific items with target dates named for conclusion of agreement. The six items included Variable Day Rostering and Easement of Conditions for Single Manning, both with a target date of 31 October 1981.

20. The wording of the understanding was that "negotiations shall take place to establish variations to the rostering agreements with a view to introducing some flexibility around the 8-hour day, but without producing an unreasonable variation in the length of each working day or week." That could only mean, for footplate staff, the intention of the understanding was to change the existing agreement relating to the guaranteed 8-hour day, altering this to coincide with the span of variable day decided.

21. In subsequent Railway Staff Joint Council (RSJC) (Loco Section) discussion, ASLE&F failed to honour the understanding reached at ACAS on 19 August 1981, by refusing to depart from the 8-hour guaranteed

day which in the Board's view the ASLE&F morally had agreed to do, or to make positive progress on easement of associated traction manning conditions.

22. Methods of implementation of the shorter working week at minimum cost through changes in roster practice had been negotiated and were being applied to all other groups of railway staff. It was reasonable to expect a similar outcome for footplate staff.

23. The existing 63 year old rostering arrangements for footplate staff were too rigid and were no longer appropriate to the present day requirements of the business. The practicability of variable day rostering was not in doubt. It was demonstrated by its application to train crew in other major European railway systems and to guards by BR.

24. The 8-hour guaranteed day was the main issue. The Board's view was that it was clearly understood in principle in the August discussions at ACAS that there would be a move away from the rigid 8-hour guaranteed day. The Tribunal had heard the NUR comment about what that union understood. The RSJC negotiations were to decide the new parameters, not the principle, not whether variable rostering should be implemented but how.

25. An integral part of the Board's proposal for variable day rostering was to vary the length of single manning of traction in sympathy with the rostering variations, and the Board maintained that this part of its overall proposal for easement of traction manning fell within the Tribunal's terms of reference.

26. The new variable day rosters proposed for footplate staff would reduce overall working time. They were the key to the implementation of the shorter working week. They would enable more effective use to be made of paid time so increasing efficiency, productivity, and offsetting the cost effect of a shorter working week. They would help to reduce the unsociability of footplate work by enabling the introduction of more rest days, the grouping of rest days to gain longer periods clear of duty and lessen the incidence of signing on and off between midnight and 5 a.m. The new rosters did not put at risk the first cornerstone

of railwaymen - safety; the Board resented any allegation that they would put forward proposals which could jeopardise safety. The ASLE&F views about health risks were not supported by medical evidence.

27. Footplate rosters, as hitherto, would be a matter for local negotiation. Equivalent new rosters for guards had been discussed and approved at Local Departmental Committees; they were practical and they were being worked.

28. The Board's proposal for a 7 to 9 hour variable day for footplate staff was reasonable flexibility around the 8-hour day. The draft agreement was parallel to that agreed by NUR for guards who had hitherto had similar rostering arrangements to footplate staff. The proposal did not represent a worsening in conditions; it would not disadvantage employees either financially or socially. That was not just the Board's view; it was also the view of the NUR. The ASLE&F accusations about earnings effect were unfounded and incorrect.

29. The sole item out of the six listed in the understanding made at ACAS on 19 August on which there had been a recorded failure to agree and no willingness whatever, by ASLE&F, to meet the commitment to negotiate a change away from the current practice, was the question of variable day rosters including the associated change in manning. However, the Board attached similar importance to each of the other five items and expected the commitments given by the Trade Unions to be met on all of them. The August 1981 pay understanding would not have existed in the form it did if it had not been preceded by the productivity understanding. NUR and TSSA had demonstrated that they each recognised, and continued to recognise, their commitment to negotiate and reach agreement on the listed productivity items. ASLE&F were parties to the same understanding.

30. The object of the variable day rostering item was to negotiate the extent of flexibility around the 8-hour day. Proposals were made by the Board and subsequently by the NUR, within negotiations at RSJC (Loco) between September and November 1981. The ASLE&F had adopted a completely negative attitude asserting what could not be done. When

they eventually refused to vary the 8 hour guaranteed day agreement they did not make any other constructive proposals or propose any other form of flexible rostering that could have met the principles described in the paper the trade unions were given in February 1980 and which was discussed formally at the RSJC (Loco) meeting of 18 March 1980 or which would meet the terms of the 1980 pay agreement. Their only alternative which was a false form of flexibility built on to continuance of the 8-hour day was a maximum cost solution; it would cost £10.9m per year more than the Board's proposal for footplate staff alone; similar treatment for all staff could cost over £90m per year.

31. Bearing in mind the very clear commitment reached at ACAS on flexible rostering the ASLE&F refusal to change from the 8-hour guaranteed day agreement was a clear breach of a double commitment. On record at RSJC (Loco) was a refusal to honour the ACAS commitment on flexible rostering; this was repeated at the RSNC meeting when the shorter working week was being discussed. It had been made clear by NUR and BRB that flexible rostering and the shorter working week were linked to the same need to change the 8-hour guaranteed day agreement. The concept of flexible rostering had been well known to ASLE&F since the RSJC (Loco) meeting of 18 March 1980, and even before.

32. The Board made efforts to RSJC to negotiate the parameters of flexibility but failed to get ASLE&F to negotiate change from the 8-hour guaranteed day. Later in January 1982 again with the help of ACAS the Board expressed willingness to submit the dispute to the RSNT under Clause 65(a). Against the record of meetings and decisions the failure by ASLE&F to honour its commitment was outstanding.

33. The decision of the Tribunal was crucial to the future of the industry. In essence the question was whether BR should be tied indefinitely to agreements which limited its efficiency and which could be changed without overall disbenefit to the workforce. The railway industry had to change to compete: it had to compete to survive.

34. BRB emphasised the critical importance of productivity and efficiency to the whole future of the railway. Although the dispute

centred specifically around the question of flexible rostering, this was only one of several key elements in the Board's determination to secure a better future for the railways and safeguard the jobs of the people who worked in the industry. The Board together with the Trade Unions were pressing the Government for a higher level of investment, of which the electrification programme formed an important part, and for a stronger financial framework within which the business could be operated.

35. In putting forward that demand BRB had a responsibility to demonstrate that they were making the maximum contribution; that they were using effectively the equipment and manpower they had and that they were prepared to change their methods and working practices where this could lead to more efficiency. Importance was attached to the objective of improving the pay and conditions of the workforce. BRB had consistently argued they could help themselves to generate the possibility for improvements from their own efforts.

36. There was nothing new in the Board's determination to move forward on productivity. This was again emphasised in the negotiations on pay in 1981 and the understandings reached with the help of ACAS in August 1981. The BRB agreement on pay was only possible because the Trade Unions - all of them - freely committed themselves to meaningful progress on productivity.

37. The resolution of the dispute was vital to the future of British Railways. If it was resolved positively it could help towards a better future - a future where it could be said with confidence that all were prepared to make their own contribution and ask the nation to make its contribution towards that better system which the country needed and deserved. But if it was not resolved, if BRB and the railway Trade Unions declined to make even the first, modest step forward, the future was bleak.

38. BRB asked the Tribunal not to be influenced by emotive assertion or innuendo and to decide on the facts as follows:-

- (1) that ASLE&F had failed to meet their commitment to

negotiate a departure from fixed 8-hour day rostering;

- (2) that the proposals made by the Board for variable day rostering of footplate staff were reasonable;
- (3) that the draft agreement on variable rostering within 7-9 hours should be adopted and implemented, together with the draft agreement adjusting traction manning arrangements;
- (4) that the parties should expedite negotiations on the remaining items to which they were committed in the understanding on productivity reached at ACAS, in order to order to reach agreements within the machinery on a minimum timescale.

MAIN POINTS OF THE SUBMISSION BY THE NATIONAL UNION OF RAILWAYMEN

39. A reduction in hours of work was seen by the Amalgamated Society of Railway Servants, the forerunner of the NUR, as an essential part of improving conditions. An agreement was reached with the Board of Trade in December, 1918, which established the 8-hour day from 1st February, 1919, as part of an improvement in all conditions. While the guaranteed 8-hour day was an important improvement in conditions at that time, the main purpose of its introduction was a reduction in the working week which then became 48 hours. Against the background of the Union's history of struggle for shorter hours of work, a campaign which is continuing - the NUR has now reached an agreement on hours of work which has led to an overall improvement in its members' conditions.

40. In February, 1979, the NUR submitted a claim to the RSNT for a reduction in the working week from 40 hours to 39. In Decision 63, the Tribunal recommended that the Unions and the BRB should establish joint arrangements to study the implications of moving towards a shorter working week. This study would consider how far there was scope for reducing hours without raising costs or reducing services, e.g. by re-rostering or other ways of improving the effective use of time.

41. No progress was made on the Tribunal's recommendations and they were overtaken by the 1980 Pay Agreement which agreed a reduction of one hour in the standard week 'providing this was done within the context of measures which will minimise the cost effect'. The BRB expressed the view that, bearing in mind the objective of minimising the cost effect, the shorter working week should be introduced, where possible, by reducing each working day by 12 minutes. On the other hand, the NUR's policy was that the 39-hour week should be implemented on the basis of an additional rest day every eight weeks. The BRB could not accept this. They had previously said that discussions on the shorter working week could not be separated from their proposals on flexibility of rostering, and the NUR now agreed to discuss the 39-hour week in that context.

42. Flexibility of rostering was an item of productivity that had been under discussion since early in 1980 and was the subject of one of the understandings on productivity agreed at ACAS in August, 1981. The NUR had objected to the Board's earlier proposals which proposed variability of turns between 4 and 12 hours because of the excessive length of variation of shifts and the diminished role of Local Departmental Committees. The ACAS understanding was of great value because it specified that some flexibility would be introduced around the 8-hour day without producing unreasonable variations. Following ratification of the ACAS understandings, a time table of meetings of RSJC (Traffic) and RSJC (Loco) was drawn up. The NUR and the BRB reached agreement by December, 1981, on variable rostering for Guards and other Conciliation Grades of between seven and nine hours. It was not possible to reach agreement for Locomotive Staff.

43. The NUR saw the agreements for Guards and other Conciliation Staff on variable rostering as good agreements. They made the working life of Railwaymen more sociable. An increase in the number of rest days, grouping of rest days, reduction in unsocial booking on and off times, the inviolate right to free days, and a 39-hour week, had all been gained at little expense in terms of increased variability of rosters. An important change was that the agreements gave staff the absolute right to agree rosters rather than have them imposed by Management.

44. Most importantly, it had been agreed that a guaranteed day's payment would be made for the hours a man was rostered on in any day. This guarantee was made within the overall guarantee of 39 hours' pay in a week. While the 8-hour guaranteed day had gone it had been replaced by an agreement which was equally watertight. The agreement on payment provided similar guarantees for overtime, and unsocial hours payments, and provided that staff would be as well off as under existing agreements when off sick, or on leave.

45. The BRB had agreed the savings accruing from the operation of flexible rostering would be recorded, and used to improve conditions of service of the staff concerned.

46. The attractions of the Guards' agreement reached by the NUR had been readily appreciated at Sectional Council and local level. In general new rosters were being agreed and implemented. The latest figures showed 190 out of 304 Guards depots had already agreed to variable rosters. Of these, 137 had already implemented, and the figures were increasing daily.

47. The NUR had consistently taken the line that they expected to achieve an agreement on flexible rostering for their Footplate members which would be in line with the Guards' agreement. The latest proposals, presented at RSJC (locomotive) on 25th February, 1982, had gone a long way towards the NUR's position, and the Union did not see any difficulty in redrafting the proposals to coincide with the Guards' agreement. Changes in the manning agreement could be considered once flexible rostering had been agreed.

48. ASLE&F had objected to flexible rostering because it was complicated and would effect not only the social lives of staff, but also the smooth working of the train services. They had said that Drivers would be particularly effected by variation in the length of turns because of stress and strain. Mutual exchanges of turns of duty would be difficult. The NUR contended that their flexible roster agreement improved the social lives of staff, and reduced stress and strain. The smooth working of train services would not be affected. Mutual

exchanges of turns could still be made. The advantages of their new flexible rostering agreement far outweighed any disadvantages.

49. ALSE&F had said in discussions at RSJC (Loco) that they would be prepared to consider flexibility between 7 and 9 hours providing the guaranteed 8-hour payment was maintained. This contradicted their argument on unsociability since it indicated a willingness to negotiate rosters of different lengths.

50. The NUR had agreed to an end to the guaranteed 8-hour day because they recognised the benefits of a shorter working week, and an increase in rest days. They had accepted in its place a guaranteed rostered day and a guaranteed 39-hour week. The NUR realised also that the increased productivity from flexibility of rostering would bring savings to the Board, and the Union would expect a share for their members. ASLE&F, on the other hand, by insisting on retaining the 8-hour guarantee with separate payments for overtime were blocking the introduction of flexible rostering by imposing a cost on the Board in excess of the expected savings.

51. In the NUR's view, it was perfectly feasible to introduce variable rosters for Footplate Staff. The NUR emphasised that under no circumstances should the Tribunal's decision interfere with, or undermine, the agreements which the NUR had successfully negotiated.

MAIN POINTS OF THE SUBMISSION BY THE TRANSPORT SALARIED STAFFS' ASSOCIATION

52. There were mistakes by both BRB and ASLE&F, so that all sides could be castigated but all had to live as one railway family in the difficult times ahead. On the one hand, BRB had not acted properly bearing in mind that at no point in the agreement reached at ACAS, or at subsequent RSNC meetings, was it ever determined that the payment of 3% would be withheld if certain matters were not resolved. On the other hand, ASLE&F were in the wrong in that they had not been able to deliver in line with their commitment to productivity set out in the understanding on that matter reached in August 1981 after two long and exhausting days, before the drafting of the understanding on

pay. Whilst the two understandings were separate and distinct, they hung together.

53. The Tribunal's terms of reference were quite specific. The significant part being "to consider the proposals of the British Railways Board for the implementation of sub-paragraph 2(c) of the 1981 Productivity understanding to footplate staff and to award". Only one small but very important aspect of the settlement reached in August 1981 relative to rates of pay and productivity.

54. Sub paragraph 2(c) of the 1981 Productivity understanding had significance for all railway staff because it called for negotiations to take place to establish variations to the rostering agreements with a view to introducing some flexibility around the 8-hour day, without producing unreasonable variation in the length of each working day of week. So far as salaried staff were concerned this did not pose any real problems because for many years, provided agreement could be reached at local level, rostering arrangements had been flexible in the extreme. In many instances rosters had been agreed giving a span of daily hours ranging from 4 to 12 hours. The majority of rosters revolved, however, around 7 to 9 hours per day but some rosters spread over 9 weeks giving a total of 333 hours - that is 37 hours per week for 9 weeks were actually worked in 28 turns of duty. Among salaried staff there was a need to reach local agreement which took fully into account local circumstances local requirements and the exigencies of the services that had to be provided. There was not just one method that could be slavishly applied to all.

55. It followed there would be differences of approach by different groups. Whilst there was little doubt the agreement reached by the NUR and the BRB in respect of variable rostering for staff covered by RSJC (Traffic) was felt to be the proper method for the particular group of staff, it could well be that all or some or none of that agreement would be appropriate for footplate staff.

56. It was important that general guidelines were set down at national level which could then be implemented by agreement at local level taking

into account all local nuances. The general guidelines may, or may not, mean that old established practices and even old agreements had to be revised. Such was the price of progress. What was important was that every member of the staff whatever daily hours he worked received the agreed rate of weekly pay for each week worked.

57. Figures were available to demonstrate that the railway trade unions were honouring their commitments to productivity. In the period May 1980 to May 1981 some 6,000 posts covered by the 1956 Machinery of Negotiation and Consultation were saved yielding a saving of some £32m per annum. From May 1981 to September 1981 a further 6,000 posts have been saved giving an additional saving of £26m per annum. The total situation since May 1980 and up to 26 December 1981 showed that in excess of 14,000 posts have been eliminated with a total annual saving of £65½m. If this was set against the anticipated saving of £12m spread over 5 years from flexible rostering the whole matter was put into correct perspective. Prior to the recent industrial dispute the BRB was expecting an undershoot of about £10m on the External Financing Limit of £920m. The cumulative trading position was a minimum loss to 31.12.82 of £237m.

58. Savings of posts were continuing to be made at a rate of approximately 150 per week. Only a few weeks back TSSA agreed alterations to the BRB Financial Accounting procedures which when fully implemented would result in the saving of some 1,150 posts. Financial savings of around £4m per annum would be obtained from this project solely related to salaried staff.

59. The staff required by Management to work out revised rosters were members of the salaried staff or members of the Management Staff. They had the experience to formulate new rostering arrangements around the 8-hour day which they felt would be acceptable. They were waiting to be told what was required.

60. TSSA had co-operated fully in productivity to ensure that the railway industry survived so that there were jobs for its members. It urged other groups for staff to give serious consideration to changes

that may be necessary to ensure the continuation and even development of the railway system. If the railways were closed down in part or whole, traffic would be lost which would never be regained and the livelihood of many more railwaymen would be gone.

61. The approach to productivity, rationalisation or reorganisation had always been that some of the benefits should be returned to the staff. Colleagues in other areas needed to make the same contribution to protect as far as was practicable the jobs of their members.

62. It was the view of TSSA the terms of reference only allowed the Tribunal to look at paragraph 2C of the productivity understanding; that related to variable day rostering. BRB had asked the Tribunal to look at manning levels which came under paragraph 2D as opposed to paragraph 2C. TSSA agreed, however, with the sentiment that all parties should expedite negotiations on the remaining items of productivity. The dispute had affected adversely BRB finances so that the railways would be looking for greater saving to redress the enormous adverse financial situation.

63. TSSA asked the Tribunal to study the words of paragraph 2C very carefully because they called for variations - that was alterations - to rostering agreements. The word was agreements and not arrangements.

64. The Tribunal had a very difficult problem. It had to point everyone in the right direction to solve the present difference of opinion between ASLE&F and the BRB.

MAIN POINTS OF THE SUBMISSION BY THE ASSOCIATED SOCIETY OF LOCOMOTIVE ENGINEERS AND FIREMEN

65. The eight-hour guaranteed day was a bedrock of the locomotive-man's agreements and it would not be relinquished by either the Society or its members. The Society was not in favour of any movement from this position and refuted statements that a commitment had been made to the contrary. Discussions with BRB on some variation of rostering arrangements had not been ruled out provided that it was within existing agreements. No other group of workers in any industry

worked more flexible hours than train crews. BRB was now reduced to proposing changes that would be a disadvantage to the working conditions of footplate staff; changes that would achieve nothing but a reduction in the wages bill.

66. The complexity of the flexible rostering issue had been confirmed by events which had occurred since BRB had proposed changes in March 1980. At that time Railway Representatives had undertaken to supply examples of the proposals to the Trade Unions but these had not been forthcoming until 27 August, 1981. It was evident that the issue of flexible rostering had not been at the forefront of the minds of BRB until the middle of 1981. The issue had appeared to become of paramount importance only when agreement had been reached on the 1981 pay claims.

67. However, the proposals had been deemed unworkable by footplate staff. Present agreements allowed Management to roster between seven and nine hours, and over nine hours with the agreement of those concerned. The changes envisaged by BRB would be almost entirely to the disadvantage of footplate staff, demanding as they did that ASLE&F members should compensate their employer for the time they could not be found work by working longer hours on other occasions. The elimination of the eight-hour guaranteed day would be principally a device to reduce pay and would have little to do with the more efficient use of manpower. Examination of rosters now supplied showed that men would be as much as £32.08 per week worse off financially if their wages were calculated in accordance with arrangements proposed instead of current agreement. The variation of the length of the working day would make it practically impossible for individuals to exchange shifts for personal reasons.

68. Agreements applicable to conciliation staff other than locomotive-men for the introduction of flexible rostering did not affect the Society's position. It represented 98% of footplate staff and had clearly indicated that flexible rostering was impractical for locomotive-men. The nature of a driver's work, coupled with the irregular and unsocial hours of duty, which necessitated starting and finishing at

all hours round the clock meant that demands upon drivers were different from those of other staff and this had been recognised by the RSNT as shown by Decision Number 42. Driving a train was a responsible occupation creating a great deal of stress and strain on the driver. To exceed eight hours single manned could put drivers beyond the limit of tolerance and create further problems, not only for the individuals concerned but for the railway industry as a whole. The increase in the irregularity of the working day and week would inevitably lead to greater stress levels, increase the risk of medical failure and lower safety standards.

69. The Society also objected to variable rostering on a number of other accounts. There would be a further curtailment of the limited social life of footplate staff as the new arrangements would make it virtually impossible to exchange turns for personal reasons. Additionally variable rostering would increase the complexity of arranging rosters and as staff would be required to work a diverse number of hours, many local agreements on link working could not be operated.

70. The Society had said that the Board had been critical of its refusal to relinquish 1919 agreements, saying such agreements were now outmoded yet the Railways Board was steadfastly adhering to immediate post-World War One agreements in order to maintain practices which in the 1980's would not be tolerated in other British industries and certainly not on the railways on the continent of Europe. The Society had since 1967, pursued an application for the 30-minutes physical needs break granted to drivers working single manned to be extended to all footplate staff on train working. The Board had not conceded the application, which was still being pursued, and during the course of negotiations had referred to the additional cost of such an arrangement.

71. After seeking an improvement for many years, the Society was now faced with BRB proposals which would worsen the entitlement of footplate staff to physical needs breaks; although this was already, by modern standards, pitifully inadequate. Management wished to revert not just to procedures which had been found wanting and discarded many years ago, but to introduce arrangements which would have been

considered unacceptable even in 1919 at which time far less consideration was given to staff amenities. The Board's proposals were far from explicit, however, and in particular did not indicate whether the arrangements would be applicable to single manning. Neither was it stated whether the physical needs break would be clear of all walking time, where the break would be taken nor what amenities would be provided.

72. The Society voiced its opposition to any extension of single manning beyond the eight-hour programme. Such an extension would impose unacceptable levels of stress on drivers and might impinge on safety. ASLE&F had always readily co-operated in respect of the introduction of new working practices when benefits would accrue to the industry. Productivity gains since nationalisation had been substantial and locomotivemen had contributed the biggest saving. The Board had indicated that it wished to obtain greater benefits than those negotiated and agreed in 1965 and yet there had been no suggestion of compensation to ASLE&F members for the additional responsibility which they must assume, despite the fact that during the seventeen years which had passed since the 1965 agreement even greater stress and responsibility was being placed upon drivers by new technology and working practices. The introduction of High Speed Trains, the Class 56 Locomotives and far more intensive working being cited as examples.

73. The 1980 pay agreement had provided for negotiations to take place on the manner of implementation of a one-hour reduction in the standard working week from 1 November 1981. The Society felt that a reduction in working hours was long overdue, particularly in view of the general trend towards shorter hours in both Britain and the rest of Europe and the nature of footplate work. ASLE&F's Executive Committee considered an additional rest day every eight weeks was the only practical and acceptable method of introducing a reduction in the working week. However, they were prepared to accept the suggestion made in the Committee of Inquiry's Report that the method of implementing the shorter working week should await the outcome of the dispute on flexible rostering since it was the subject of contention between the parties.

74. BRB had placed tremendous emphasis upon the arrangements for flexible rostering which were in operation in countries on the continent of Europe. The Society made no apology for saying that the Board was being less than honest in its approach by not producing papers setting out all the conditions of employment and amenities which were provided by their European counterparts. Evidence was presented by the Society to rectify this giving details of the conditions of employment in relation to hours of work, earlier retirement, annual summer and customary holidays of train drivers in other countries to support the contention that ASLE&F members compared unfavourably. The question of flexible rostering may perhaps be looked at in a different light if they were accorded pay and conditions of employment similar to those enjoyed by footplate staff in the countries cited.

75. The Board had impugned the integrity of the Society by saying that it was regrettable the way minds had been closed to the possibility of successful change. Refuting this, the Society said that its point of view had been clearly stated and differed from the Board's proposals because the men who opposed the acceptance of variable programming had a far greater practical knowledge of what was involved than those who were not on the track, working locomotives.

76. The Society also stated that in its view its obligations to negotiate on productivity had been fully met. Talks with BRB were continuing on the introduction of one man operation of trains and the open station concept was being discussed within the Salaried Section of the Railway Staff Joint Council. ASLE&F had joined the discussions and entered into negotiations with the Board on many aspects of productivity. Where proposals had been considered practicable and of an advantage to the industry, full co-operation in the introduction of the new arrangements had been offered.

DECISION NO 77 OF THE RAILWAY STAFF NATIONAL TRIBUNAL

A. The Nature of Our Task

77. We consider this to be the most difficult reference we have had to deal with since our involvement with the RSNT. It is also the most complex and far-reaching since Decision 42, which was published in 1974. The degree of difficulty suggests to us a willingness to

explore ways out of an impasse which have not been tried already; there must be a willingness to consider new avenues of advance or we cannot hope to arrive at an acceptable settlement. The fact that the disagreements between the parties are complicated and extensive means that this has to be an unusually lengthy award on which the tribunal has had to spend a considerable time. It has not been possible to arrive at simple and easily stated solutions. We have needed to explain how we see the problems and how we envisage our recommendations being applied in some detail.

78. To help make up our minds it was found necessary to go beyond the written submissions of the parties and ask for considerable additional information, which it has taken time to prepare and digest. We also had to arrange for a programme of visits involving several depots and railway installations. As a result we were able to obtain the opinions and experience of both drivers and guards. These visits taught us a great deal, which we hope will be evident in our report. All additional information, and the programme of visits, was arranged through the good offices of our assessors who accompanied us throughout. We should like to thank them for their usual courtesy and willingness to assist us at every stage of our inquiries.

79. Our award is divided into four parts. In part B which follows we state the essence of the difference between the parties which we feel we need to understand and resolve. Part C is concerned with our answer to the main questions which we feel follow from these differences. Part D contains our specific recommendations for resolving such differences. The remainder of this section is concerned with our involvement in the dispute so far and our present terms of reference.

80. In Decision 63 of the Tribunal, published in June 1979, we responded to a reference from all three unions claiming 'A Shorter Working Week'. Our view was that if there were significant labour costs involved, as we felt there might be, we were 'unsure how far the unions and their members would wish to obtain a substantial hours reduction in preference to other improvements in terms and conditions'. We were also concerned about the fact that the parties were not agreed about the scale and direction of these costs or their impact on services. The Board was concerned that substantial increases in cost were unavoidable.

The unions took the view that the Board exaggerated the problem and felt that there were ways of diminishing their impact. In particular we noted:

'The ASLE&F, for their part, accept that it would be difficult to implement a shorter working week without increasing costs, but they say that the costs could be reduced by more efficient rostering and more efficient ways of doing the job'.

81. Our decision at that time was that there should be appropriate 'joint arrangements to study the implications of moving towards a shorter working week on the railways', and we went on:

'Such a study would need to consider how far there is scope for reducing hours without raising costs or reducing services - eg. by re-rostering or other ways of improving the effective use of time. It would also need to consider whether certain changes or re-arrangements in services would be practical, within the context of a nil cost approach.

To the extent that some increase in costs was found to be likely, attempts should be made to quantify these in a reasonable and acceptable way The parties would be free to decide the pace at which they wished to move towards a reduction in overall working hours and the appropriate stages, if necessary. They would also be free to decide the relative priority they desired to give a reduction in hours'.

82. The 1980 Pay Agreement included a provision to move towards a reduction of one hour in the working week in a way which would 'minimise the cost effect'. It also included a commitment to progress negotiations on changes in national agreements and working practices. Among the items already tabled by the Board for negotiation was more flexible rostering and easement of traction manning standards. Arising from this agreement, in August 1980, the Board wrote to the unions declaring that in their view 'future discussions between us on the shorter working week cannot be separated from the Board's proposals on flexibility of rostering'.

83. But these discussions were not completed when the RSNT was asked to make an award on the dispute arising from the 1981 pay claim, and it was made quite clear to us that the current proposals for improving productivity which they involved 'were not before us as a Tribunal'.

We were asked by all parties to decide without taking productivity into account. What we faced was a final offer of 7%, against a claim in which the unions were arguing that a restoration of the rates appertaining after Decision 42 would require an increase of 29%.

84. We decided that 'Given the financial position of the industry we cannot see our way to propose anything approaching a restoration of the 1974 position'. Our solution was a two stage increase: 8% from April the 20th and a further 3% from August the 1st.

85. The Board felt that they could not agree to the second stage of our award without a further commitment from the unions to make progress with productivity talks. As a result there were joint discussions with the assistance of ACAS; against the background of a national strike threat from the NUR and ASLE&F. The result was two 'Understandings' on pay and productivity embodied in agreements between the parties. Progress was made in implementing these agreements but they eventually led to an industrial dispute between the Board and ASLE&F, an ACAS Committee of Inquiry and, in the course of time, this reference.

86. Since, in our role as members of the Committee of Inquiry, we have already pronounced on the disagreements over the implications of the pay understanding we make no further reference to those disagreements here. However, it is necessary to stress that they had their roots in prior disagreements between the Board and ASLE&F which have re-emerged as the subject of this reference. These related to certain parts of the productivity understanding, where the Board took the view that the Society's members were not entitled to a further payment of 3%, due under the pay understanding, because their union had adopted an unreasonable and unjustifiable interpretation of sub-paragraph 2(c). This reads:

Variable rostering hours within limits to be negotiated.
Negotiations shall take place to establish variations to rostering agreements with a view to introducing some flexibility around the 8 hour day, but without producing unreasonable variation in the length of each working day or week. These discussions shall be concluded by 31 October 1981.

The ASLE&F view is that the variations permitted under this clause ought not to involve any change in existing national agreements, most notably the 1919 agreement embodying a guarantee of eight hours pay, even where rostered time is of shorter duration. The Board do not agree.

87. In the Inquiry Report we recommended that 'ASLE&F should confirm its continued commitment to the understandings of August 1981', and in specific terms we mentioned two of these - ie. sub-paragraph 2(c) of the productivity understanding and paragraph 2 of the understanding on pay dealing with the introduction of the shorter working week.

88. We also proposed a procedure for dealing with the way in which sub-paragraph (c) should be applied to the Locomotive grades, which was to end in a reference to this Tribunal unless there was a settlement. To help expedite this process, and ensure that the RSNT would have terms of reference which would enable it to deal with the issues involved, we proposed the following terms:

'To ask the RSNT to consider (under the appropriate paragraph) the proposals of the BRB for the implementation of sub-paragraph 2(c) of the 1981 Productivity Understanding to footplate staff and to award'.

89. Our recommendations were accepted by the parties and were carried out. This resolved the dispute over the pay understanding but agreement was not reached over the Board's proposals for flexible rostering. As a result this reference has been made under Paragraph 65(b) of the machinery which means that the parties have agreed it may provide a basis for a settlement but on the clear understanding that the decision is not binding.

90. In the event the Board decided to submit 'updated proposals' to the unions when carrying out the procedure proposed by the ACAS Inquiry. These provided for variable rosters of between 7 and 9 hours and were 'modelled on the agreement already in operation for Traffic Staff'. In the Board's words:

'..... the three documents sent to the trade unions on 19 February are the firm and up-to-date proposals of the Board. The Board asks you to decide that variable day rostering should be implemented as they have proposed, ensuring

the payment arrangements outlined and with single manning up to 9 hours'.

91. We produce these documents in full in Appendices A-C of this report. At this point it is only necessary to make clear their salient features. They deal with three subject areas: objectives and methods; payment principles; amendments to the manning agreements. The objectives are more productive use of time, a reduction in unsocial hours, an ability to increase and group rest days and:

'..... to facilitate the implementation of the 39 hour week at minimal cost'.

92. Methods of advancing towards these objectives include variations in programmes 'between the widest limits possible, '(Appendix A para 2.1)' as 'long a roster cycle as possible' (Appendix A para 2.2) and to provide more rest days a programme length which 'must be raised higher than the 7 hours 48 minutes average' (Appendix A para 2.3). Changes are also proposed in the national agreement governing physical needs breaks. These allow for an extension of the period within which a 30 minute break is required - that is, from 5 hours to 7 - plus its substitution by two or three breaks of shorter duration (Appendix A para 3.1). It is also provided that 'arrangements for the equalisation of earnings between links 'should be taken into account. (Appendix A para 3.2e).

93. Payment principles largely concern the guarantee of 39 hours pay in any one week 'providing the rostered turns are worked'. (Appendix A para 4.1). On the question of manning changes the Board's proposals state:

Manning Agreement

'The existing manning agreement requires amendment to allow, for example, Single Manning beyond an 8 hour programme to achieve the variable day benefits shown in the exercise'.

94. However, we are only being asked in this reference to recommend changing 'the relevant parts of the draft agreement adjusting traction arrangements' - ie. those parts which involve double manning on trains rostered beyond 8 hours. More extensive changes, of the kind advanced

in the draft agreement of the 16th October last, should only be considered by the parties themselves when they come to consider the implementation of sub-paragraph 2(c) of the Productivity Understanding. As can be seen from our Appendix C, the draft agreement at paragraph 3 proposes that 'All traction, except as shown in paragraph 4, will be manned by one Driver only'. Paragraph 4.2, only requires second-men where they are needed to assist with 'steam heating boilers' and as 'a safety requirement'. Apart from these circumstances there will only be two men in a cab when two fully qualified drivers are needed for high speed and advance passenger trains.

95. The Board also told us that we should not pronounce on those parts of the draft document on flexible rostering which deal with the need to modify physical needs breaks. The spokesman of the Board, when asked if variable day rostering 'involves in your opinion changes in physical needs breaks' replied:

'No, Chairman. I suggest you dismiss from your mind this problem of the physical needs break because it is not an issue before this Tribunal..... We are saying that if we are successful in changing the rostering arrangements under clause 2(c), with the profile that I mentioned earlier about the length of turn single manning being associated with that, we move into clause 2(d) and try to negotiate further changes to the manning agreement, including the PN break. We have not got there yet'.

96. We comment below on the reaction of the ASLE&F to this view, and consider further how far our terms of reference necessarily involve us in discussing matters of this kind. In this respect it must also be noted that in the closing words of their submission the Board ask us to recommend

'.....That the parties should expedite negotiation on the remaining items to which they were committed in the ACAS understanding on productivity, in order to reach agreements within the machinery on a minimum timescale'.

97. The only other points that needs to be made concerning our earlier involvement so far in this dispute, and its impact on our approach to our present task, concerns what was said in the ACAS Inquiry Report at Paragraph 102. The Inquiry was asked by the board to decide in favour of the then existing proposals for flexible rostering for footplate staff. After summarising them the report continued:

'We fully understand the Board's viewpoint, and why it takes the view it does; what we feel is that within the context of its own commitment to improve productivity and contain costs the ASLE&F must be given an opportunity to make their case for an alternative solution in a forum where the Board can rely on receiving a speedy and independent judgement on the differences between them'.

We consider this opportunity has now been taken, and we turn to what we take to be the essence of the differences between the parties as they have emerged.

B. The Differences Between the Parties

98. The Board's case consists of five contentions: First, as a result of the 1980 agreement providing for the introduction of a shorter working week at minimal cost, and given the specific terms of the 1981 Productivity Understanding, ASLE&F have already accepted a commitment to a form of flexible rostering which involves moving away from the provisions of existing national agreements - most notably that which embodies the 8 hour guarantee. As the Board put it to us, the words used in sub-paragraph 2(c) 'could only mean' that such changes would be involved.

99. Second, in themselves the Board's proposals for flexible rostering for footplate staff are reasonable, practical and of considerable advantage to the grades concerned. Third, they provide the basis for cost reductions and a more effective use of a drivers' time. As such they constitute 'one very important part' of the 'new prospectus for British railways' which the board is seeking to obtain from government. Asked how critical they were to his proposals the spokesman of the Board said:

'We have said we want a higher level of investment; we have said that we want a stronger financial framework; we have said that we are determined to make our own contribution, which is improving whenever we can..... (to) our efficiency, effectiveness and competitiveness. That is what we have undertaken to do and this Board is not prepared to go on the basis of half that prospectus'.

100. Fourthly, the Board assert that the alternatives advanced by ASLE&F, which would operate within constraints set by existing national agreements, would not result in savings, but would involve additional expenditure and increased manpower. They would also involve working additional overtime. Finally, the Board's view is that the close working relationship between guards and drivers is such that 'it would be a totally untenable position to maintain variable rostering and a shorter working week for Guards without similar arrangements operating for footplate staff'. It would also preclude implementation of the Trainman Concept, which is the subject of sub-paragraph 2(f) of the 1981 Productivity Understanding.

101. The view of the NUR and the TSSA are identical to those of the Board on many of these points. Thus the NUR agree that sub-paragraph 2(c) involves a move away from the 8 hour guarantee, and the guards agreement on flexible rostering embodies this approach. On the other hand the union stresses that 2(c) does not cover changes in the manning agreement, which were not required in the case of guards. These are to be dealt with when the parties consider the implementation of 2(d). The NUR's view is that in the case of drivers:

'..... while changes to the manning agreement are required, if flexible rostering is to succeed in achieving its object, these should form a separate agreement. In other words, agree flexible rostering, then look at the manning agreement to see how it needs to be amended'.

102. Meanwhile, says the NUR the Board's proposals for footplate staff should be accepted as a basis for negotiation, subject to national and local agreement. They also argue that similar rosters should operate at both ends of the train, because they are advantageous to both groups of staff. They stress the benefits that would follow for drivers no less than guards; eg. shorter hours, more restdays, and the extension of a provision in the guards agreement specifying that for the first time:

'It is understood that any necessary working of rostered free days is dependent upon the willingness of staff to forego that period'.

103. The NUR also point to gains in the way the agreement is to be applied at local level, where rosters must be jointly agreed and the status quo must be observed if there is disagreement. After six months the operation of this agreement is to be reviewed. Also to be reviewed are the potential savings arising from flexible rostering under the terms of paragraph 3 of the Productivity Understanding. This provides:

'..... that specific rewards will be negotiated for those staff whose responsibilities are directly affected'.

Whatever rewards are agreed will be backdated to the time of the introduction of the new rosters. And the NUR told us:

'We expect real improvements in the conditions of service of NUR members to be financed out of the funds that flexible rostering generates, and the NUR would not want any Decision from the Tribunal which in any way undermines what the NUR has achieved'.

104. Finally, both the NUR and TSSA accept that progress on the Productivity Understanding is a crucial element in the Board's attempt to fulfill its investment and modernisation objectives. The NUR spokesman agreed that it was important, in this way, 'to get more money into this industry'. The TSSA pointed to the co-operation in the past that had made improvements in productivity possible - at the cost of very considerable reductions in staff. They pointed to still more recent reductions which had taken place since the date of the Productivity Understanding, demonstrating the continuance and importance of co-operation with the unions and their members.

105. But the ASLE&F position differs from that of the Board and the other unions in respect of each of the Board's arguments. We therefore consider their different reactions to each of them. First, they deny that they ever agreed to modify the 8 hour day agreement. As their spokesman put it to us:

'At no time did (the Board)..... put to us a direct proposal for the elimination of an agreement entered into in 1919 and which I am certain they would be well aware was held by all locomotive staff as being one of the key agreements on which their conditions of employment are based. The Board was either acting under a complete misunderstanding of our position, or indulging in wishful thinking, if it considered that my Society was prepared to agree to the revision of the agreement..... especially when there had been no discussions or negotiations on the effect of

such a relinquishment. For my part it is totally inconceivable that such experienced representatives, with a knowledge that they have of our industry, could believe that a Trade Union would issue such a blank cheque on behalf of its membership'.

106. So far as the introduction of the 39 hour week is concerned, the Society say that this is 'nothing to do with flexible rostering'. They argue that in Paragraph 109 of the Committee of Inquiry's Report we gave support to this view when we suggest that 'the method of implementing the shorter working week should await the outcome of the dispute on flexible rostering'.

107. Secondly, the ASLE&F contend that the Board's proposals are unreasonable, impractical and would represent a worsening of conditions of service. Unreasonableness partly arises because if footplaters worked the rosters proposed by the Board, without any modification of the 1919 agreement, they would earn much more money. This is because they would be guaranteed 8 hours pay for all rosters less than 8 hours and overtime rates for all time worked in excess of this period. Working it out this way the ASLE&F argue that 'the loss of pay amounts to up to £32.08 a week'.

108. ASLE&F also contend that it is unreasonable to expect footplaters to accept longer rostered hours because they are already 'at the limit of tolerance' - ie. performing 'highly stressful' and 'responsible' work, 'demanding absolute concentration and vigilance'.

109. They also complain of numerous other disadvantages, which would follow from irregular and unsocial hours of work, interference with rest day and holiday arrangements, a reduction in the availability of work for the lesser fit and the need to set aside established seniority rules. They suggest that the present practice, by which men are allowed to exchange turns will be made much more difficult when turns are of different lengths.

110. The Board's proposals are said to be impractical partly because of the disruption and uncertainty they will produce in established methods of working. They are also likely to be more costly to administer and to involve additional clerical labour.

111. As a result of all these factors the ASLE&F argue that flexible rostering on the model proposed by the Board, must be regarded as a significant worsening of conditions of service. The advantages advanced by the NUR do not cause them to modify this view in any way.

112. Thirdly, on the issue of savings and their importance to the Board's prospectus for change, the ASLE&F take a different view again. They feel the Board should be prepared to go to government and say: 'If you do not do something about it this industry is going to collapse'. They do not accept that flexible rostering, in the form advanced by the Board, will produce a significant saving, while any that result will only be available at the price of unacceptable reductions in their members conditions of work. They cannot accept that the proposals of the Board should be regarded as a matter of great urgency and significance.

113. Yet it should not be concluded from all this that the ASLE&F told us that it was unconcerned about efficiency and productivity. They claim that they accept the obligations they undertook as a result of the Productivity Understanding, which they re-affirmed when they accepted the recommendations of our Committee of Inquiry Report. They pointed to the past co-operation, which has made possible very substantial improvements - suggesting that 'locomotive men have contributed the biggest saving..... a 72 per cent staff loss'.

114. Fourthly, ASLE&F suggests that there are alternative forms of flexibility which have not been fully used. In particular they suggest building on our Award No. 54. In that Award we recommend that 'rosters in excess of 8 hours' should be agreed jointly under certain conditions. ASLE&F say that their Executive Committee 'will authorise negotiations with railway management in order to agree rosters around the eight hour day on the basis of what is contained in Decision Number 54'.

115. Fifthly, ASLE&F do not accept that the retention of the 8 hour day agreement for footplate staff need have implications for other grades, who, they argue, must be presumed to be satisfied with the agreements they have negotiated embodying flexible rostering. They point out that at the moment the two systems of rostering are operating

concurrently on the majority of trains. The question of how footplate staff are to advance to a 39 hour week in these circumstances is a matter they regard as a separate and distinct issue.

116. It can thus be seen that the ASLE&F take a very different view to the Board and the other unions on all of the central issues involved. But this is not the full extent of our problem. ASLE&F also argue that the proposals which the Board wish us to recommend are merely part of what the Board wants. They point to the fact that the proposals sent to them, which we have reproduced in our appendix, include 'changes in physical needs breaks (that) are unacceptable and unworkable. Also contained are plans involving the virtual extinction of work for second men. Moreover, in the case of flexible rostering itself:

it is clear that BR's ultimate aim is to carry this principle much further with an eventual 'flexibility' to 4-10, or even 4-12 hours, the principle being that drivers, whose lives are already greatly disturbed to fit in with the needs of the railway service (sometimes necessarily so) put their own time almost entirely at the disposal of the British Railways Board in every respect'.

In other words, ASLE&F view the proposals placed before us as only part of the problem. For them concessions on their part will only pave the way for further demands.

C. Questions to be Answered

117. We consider that if we are to make any useful suggestions for specific ways out of the present impasse we need to pose and answer four general questions. It helps us to state them briefly at this point in the following order: First, we need to define our own view of the agreements and understandings set out in Section One above - including our view of the difference between the Board and ASLE&F on the extent to which sub-paragraph 2(c) may be said to involve a commitment to modify existing agreements. Second, and in the light of what we decide, we must go on to consider how far the ASLE&F have met the test set out at paragraph 96 above - ie. provided us with an 'alternative solution' to the problem of how to apply sub-paragraph 2(c) to footplate grades. Third, we need to compare what they propose with the scheme the Board have advanced. Finally, we must draw our own conclusions on what our general approach should be.

118. It will be seen from Part A above that the RSNT has always sought to assist the parties in their joint efforts to arrive at solutions to problems which are compatible with the maintenance and improvement of productivity and efficiency. This approach goes back to Decision 42, which suggested that the link between pay and productivity might well be dealt with at the time of the annual pay settlement. For reasons which were sufficient and convincing at the time of the 1981 pay settlement, negotiations over productivity improvement were conducted separately from the annual pay deal. This may have been one reason why the Board was unable to advance an offer which was acceptable to the unions at that time. If so it helps to explain why the August talks at ACAS took the form they did after our Decision 75.

119. Indeed we regard the ACAS talks as an effort to progress the long standing talks on productivity, in order to gain agreement to the implementation of Decision 75. In effect the Board agreed to implement our Decision, in exchange for which the unions agreed to make progress on the six items listed in the Productivity Understanding.

120. It should be said that we see no reason to doubt that the economic and financial position of the railways is as stated by the Board and summarised at paragraph 99. That is to say, the Board is justified in believing that if they are to obtain the essential capital for investment and modernisation which they require from government, they must be able to demonstrate that they are making progress in implementing the 1981 understanding on productivity.

121. We take this to be the case, and we suggest that it is partly because they also share this view that the NUR and the TSSA feel as they do about the urgency and importance of continuing to make progress. We find ourselves unable to share the ASLE&F's more hopeful approach. We see no reason to suppose that if the Board did as they suggest the need to make progress on productivity improvement would become less urgent or important.

122. On the other hand, we feel that it can be demonstrated that progress has been made in the past. Figures put before us indicate that traffic carried per employee has continued to improve in recent years. Reductions in traffic volume, gauged in terms of passenger and freight tonne miles, have been less, proportionately, than reductions

in manpower. This indicates that the unions and their members have continued to play their part. As a result they have continued to lose members, and there is no sign that this tendency is yet to be reversed. They have also been prepared to accept far-reaching changes in technology and systems of work - including new methods of traction, signalling and office machinery of all kinds. Unfortunately, in the last two years or so, the benefits which might be expected to flow from all these changes have been undermined, or at least delayed, by the consequences on railway business of the continued recession and current constraints by Government on the input of public funds.

123. It is against this background that we have to determine what was in the minds of those who signed the August understandings, to which we now turn. The items listed in the Productivity Understanding derived from earlier proposals tabled by the Board. They were six in number. Those of no concern to this reference include sub-paragraphs (a), (b) and (e), dealing with the 'Open Station Concept', and other kinds of manning issues.

124. Central to our concern is sub-paragraph (c), but of consequential interest are both sub-paragraph (d) on 'Easement of conditions of single manning on traction units' and sub-paragraph (f) which deals with the trainmen concept. In the case of (c) our attention has been drawn to two features: First, the need to establish variations in rostering 'agreements', which is said to suggest that existing agreements, including the 1919 agreement, could not have been regarded as sacrosanct. On the other hand, it could be said that the reference here is to 'rostering', so that what is meant is an adjustment in jointly agreed rosters which are fixed at local level - ie. in LDC's. It is undoubtedly the case that nothing in the agreement specifically refers to the need to change a national agreement as such.

125. More pertinently, it has been put to us that the agreement, after talking of the need to establish variations in rosters, specifically states that this is to be done 'with a view to introducing some flexibility around the 8 hour day'. The crucial question is: what can we take the last four words quoted to mean? The Board has argued:

'This could only mean that the length of the turns would vary around 8 hours. 'Around' means 'on all sides of', 'round about', 'on every side', 'in a circle',It could not possibly mean,

in combination with the word 'flexibility', that all turns would be exactly 8 hours'.

126. We find this argument convincing, as far as it goes. On the face of it the words in sub-paragraph (c) do involve variations in the length of rosters, so that some are above 8 hours, but they need not be the majority. And as the Board also says, the paragraph goes on to refer to the need to avoid 'unreasonable variation in the length of each working day'. So this confirms that 'working days would vary in length' - yet we are given no guidance about how far they can vary, or what constitutes 'unreasonability'.

127. Moreover, the ASLE&F, as we understand their position, do not deny that variations of some kind could be involved; all they argue is that they must be confined within the limits set by existing agreements, and suggest that in this respect more use might be made of our proposals in Decision 54. Nothing in the words of sub-paragraph (c) helps us to decide if the more limited form of flexibility that would be possible under the ASLE&F approach is a reasonable interpretation of the agreement reached in respect of sub-paragraph (c). Much depends on whether or not what ASLE&F proposes can be said to represent an improvement in productivity. We are entitled to assume that concrete proposals for implementing this part of the Productivity Understanding will have this effect in one way or another. We return to this question further below.

128. At this point we must deal with one further argument advanced by the Board. This is the suggestion that whatever construction may be put on sub-paragraph 2(c) now, at the time all parties knew that they were agreeing to change existing agreements - most notably the 8 hour guarantee. Certainly the Board can show that they made no secret of the fact that this was their aim. What is in dispute is how far are other parties agreed, to such an extent that they saw no need to specify the relationship between these things in the understanding itself.

129. On this point it is to be noted that the NUR and TSSA are in agreement with what was implied, so far as they were concerned, yet the ASLE&F say that they were at no time directly asked to agree to modify the terms of the 1919 agreement. They insisted that it is 'inconceivable' that anybody could believe that they would issue 'such a blank cheque'.

130. We see no way in which we can decide between the parties on an issue of this kind. We were not present at the time, and might be no wiser if we were. The recorded minutes of subsequent negotiations and discussions, and the interchange of letters and telephone conversations, do not settle the point for us one way or another. We can only note that in the event there is no indication that either side proposed any amendment to the sub-paragraph which might have made the position clear. Fortunately we feel we can arrive at a reasonable interpretation of the words it contains without settling this issue.

131. We turn therefore to the forms of flexibility available within limits served by existing agreements and their methods of application: How far could they make possible an improvement in productivity? We believe that to operate the draft rosters of the Board, as they were placed before us, within these limitations, could not be said to represent an overall improvement in productivity. It has not been contested that the Board's estimate of an additional direct cost of about £10.9m a year, to cover payments to drivers for hours not worked and additional overtime, is a reasonable estimate. The Board maintains that to this would need to be added the cost of employing an additional 4,000 drivers assistants, under the provisions of the present Manning Agreements. It has not been challenged that this would require a further £32m a year. Taken together these two sums would represent about a 20% increase in footplate labour costs, which would far outweigh any benefits that could be derived from the more effective use of drivers' time.

132. But we have to evaluate the offer of the ASLE&F to consider a solution based on the recommendations contained in our Decision 54. We have to decide whether this represent a more promising solution? Here it is important to remember the limited nature of the problem with which that Decision was intended to deal. It was in no way concerned with flexible rostering - in the sense of a system in which rosters of differing lengths become the norm. We were concerned with the much more limited question of the continued justifiability of National Wages Board Decisions 2 and 4. They were intended to regulate exceptional departures from the 8 hour day in an upward direction. We were mainly concerned to modify what we termed the 'authoritarian nature' of existing provisions. We proposed that where rosters were required in excess of

the 8 hour standard the Board should 'seek to obtain the agreement of the Union(s) concerned'. So long as such rosters remained exceptional we said that 'the Unions should not unreasonably withhold their agreement where it can be demonstrated that economy will result'. It is not easily apparent how the principles behind this Decision could be said to apply to a system of flexible rostering of the kind advanced by the Board - except that they suggest that such a system should first be agreed between the parties. However, what we were asked to consider is whether they might form the basis of an alternative approach.

133. We have to say that without a readiness to modify existing agreements we do not think that the principles of Decision 54 present a viable alternative approach. To the extent that the parties agreed to introduce rosters longer than eight hours, overtime premia would still be payable to drivers; yet no savings could be expected to arise from compensatory reductions in the length of other rosters. Of course, insofar as agreement was not obtainable the addition to direct costs would be less than £10.9m a year; but then so would be the benefits to be expected from the more effective use of drivers' time.

134. If the principles of Decision 54 were taken to involve a readiness to modify the terms of the 1965/8 Manning Agreement, so that turns over 8 hours could be single manned beyond the present limits of 8 hours fifteen minutes, it would be possible to reduce the need for extra drivers' assistants. But once again, savings could only arise to the extent that existing agreements were modified.

135. We are now in a position to summarise our findings in respect of our first two questions: We consider that in the context of the agreed Productivity Understanding as a whole sub-paragraph 2(c) must be intended to lead to a form of flexible rostering which does not add significantly to unit labour costs and is intended to reduce them. Otherwise it is difficult to see how such a system could be expected to improve productivity. We also cannot accept that the ASLE&F has proposed a means of moving towards this objective while remaining within the confines of all existing national agreements. We turn therefore to the proposals of the Board.

136. We inquired in some detail from the Board about the savings that are likely to arise from the introduction of their proposals for flexible rostering. They supplied us with a considerable amount of data, while stressing that:

'As was made clear at the Tribunal Hearing an accurate assessment of the costs saving from variable day rostering can only be made following implementation, since the results will be affected by the outcome of local negotiations. In the meantime all figures are estimates'.

137. We appreciate this reservation, but believe that it is important to present what evidence is available, so that the results can be compared with those suggested by the ASLE&F. We also think it is important to appreciate the source of the savings and their relationship to existing agreements.

138. The first point to make is that the savings do not arise as a result of anticipated reductions on overtime or payments avoided as a result of the modification of the 8 hour guarantee. These changes are essential to avoid the extra payments that would be involved if most rosters were either above or below eight hours. They represent the cost of introducing flexible rostering, in the form desired by the Board, without changing existing agreements. At the moment drivers average only 58 minutes overtime a week, of which a very small proportion arises from rosters in excess of 8 hours. Most overtime for drivers derives from unscheduled events - such as the late arrival of trains. In itself flexible rostering should not affect the extent of this overtime.

139. Savings arise as a result of the potential reductions in establishments made possible by the more effective use of drivers time (ie. improving the work content of programmes). Separate figures are available for the anticipated consequences of operating beyond 8 hours without assistant drivers. But once again the move to flexible rostering requires a change in the manning agreements because of the need to avoid the extra men that would be required if the agreements remained as they are. It is not that a great number of assistant drivers are presently employed on trains rostered beyond eight hours. At the most this affects 131 diagrams - ie. 5.2% of the total double manned diagrams.

140. Given all these reservations and explanations the information we have of the savings to be derived from the more effective use of drivers can be set out thus:-

1982	1983	1984	1985	Aggregate
£m	£m	£m	£m	£m
0.4	1.7	3.2	3.8	9.1

We are told that the figure arrived at by 1985 represents about 2% of present footplate costs. In addition to these sums another £1m would be saved each year as a result of the introduction of single manning up to 9 hours.

141. It can be seen from the above that the Board's proposals may be said to make a contribution to improving productivity amongst the footplate grades. As the Board have said, it is notable that over the last ten years productivity, measured in terms of traffic covered per employee, has not risen significantly among drivers of guards, see Appendix D, although it has continued to advance more steadily amongst certain other groups - notably signalmen and clerical staff. The Board clearly sees flexible rostering as a way of continuing to make progress towards its legitimate productivity objectives at both ends of the train. What we must consider now is the reasonableness of ASLE&F's objections to their detailed proposals, as placed before us.

142. In the ASLE&F submission, and as a result of our visits to depots, we were made aware of many ways in which the Society and its members objected to the Board's proposals and their alleged impact on terms and conditions of work. It appears that the more substantial of their objections concern the following: hours of work, levels of overtime, spare turns, Saturday working, rest days, arrangements for special trains, mutual exchanges, public holidays, earnings levels, local agreements, seniority principles and the availability of medically restricted work. We consider the ASLE&F arguments concerning each of these below.

143. Flexible rostering will mean an extension of hours of work on particular days, as a result of management's right to roster up to nine hours. What ASLE&F will not accept is that shorter hours of work on other days can compensate their members for the additional strain and responsibility involved.

144. They also argue that where the exigencies of the service result in trains being delayed drivers will be required to be on duty still longer hours - say thirteen or more a day. And if one roster over eight hours is followed by another of similar length - say next day, or within the same week - hours at the controls could well exceed the limits set by a proper regard for safety. Most important of all, say ASLE&F, it is proposed that such extensions to hours of work should all be single manned.

145. In circumstances of this kind, they argue, there is bound to be an increase in the need to work 'unsocial' hours. And since rosters will vary in length from day to day, and be subject to further short notice 'amendment' to fit the needs of a more complicated rostering system, there will also be an increase in the 'irregularity' of working hours.

146. According to ASLE&F the need for additional overtime, will be most likely to arise where one driver is expected to 'cover' another - eg. in respect of 'spare turns'. Drivers working as 'Spare men' will be expected to cover the next vacant turn, irrespective of its length or their own recent pattern of work. Thus they could find themselves faced with the need to drive significantly longer hours,

taking them far beyond the length of the standard working week. This would involve them in considerable additional overtime. ASLE&F also allege that as a result of flexible rostering it will be necessary to require all links to take a proportion of spare turns.

147. They expect similar problems to arise in relation to Saturday work, rest day cover, arrangements for special trains and public holidays. ASLE&F argue that it will not be possible to meet all cases without increasing the volume of overtime. They also suggest that present arrangements which permit rest days to be linked with holiday periods will not be allowed. They feel that drivers will be under pressure to surrender rostered rest days, if flexible rostering is to work. They believe that the uncertainty and irregularity of footplate hours will make it much more difficult to maintain shared arrangements for travelling to and from work where public transport is not available.

148. Also affected, it is said, will be the long standing practice whereby drivers are free to exchange turns to fit personal and social needs. Yet these are seen as the only way in which men working long and irregular hours can co-operate to preserve their essential off-duty time so that it can be shared with their families and planned ahead. It is feared that constant variations in the length of rostered hours will make it much more difficult to find drivers who are prepared to 'swop' one turn for another - especially turns involving rosters of more than average length.

149. At the same time variations in working hours, and the uneven distribution of overtime which is seen as its inevitable consequence, will mean that earnings will vary more widely than they do at the moment; thus some drivers will lose more from the abolition of the eight hour guarantee than they gain from the increase in the value of overtime, and other premia payments. ASLE&F also fear that it will not be possible to operate existing agreements for the 'equalisation of earnings' within the constraints of flexible rostering. In this way, they suggest the new system will generate constant grievances and complaints both from those who lose money, and from those who are required to provide longer periods of overtime.

150. ASLE&F also argue that local agreements and practices will need to be modified to meet the demands of flexible rostering - eg. those that allow spare turns to be confined to certain links. More important still, the long standing principle of allocating work by seniority will be challenged. It will not always be possible to maintain 'movement through the links by seniority'.

151. Finally, ASLE&F fear that the more effective use of drivers time will reduce the work available for their medically restricted members - who are now employed on 'shed and pilot work' away from the main line. Such work will in future tend to be 'tacked onto one end of an extended roster,' given to a main line driver.

152. Armed with these objections we sought to obtain the Board's answers. In general terms their reply was that ASLE&F have misunderstood and exaggerated the impact of their proposals, while not allowing for their advantages and opportunities. Insofar as there are problems, say the Board, they can be dealt with at local level. Above all the Board react strongly to the suggestion that anything they propose could have an effect on safety.

153. But the Board, in answer to our inquiries, did not limit itself to general arguments. Much more specifically they denied virtually all of the specific consequences feared by ASLE&F in a paper which they tabled to us. This paper said these consequences were not intended, and could not arise. We regard their assertions in this respect, and the contrast with ASLE&F's assertions as an essential element in our attempt to explore a way out of the present dispute. For this reason we list them below at some length, often in the Board's own words.

154. In the case of hours of work the Board stressed that in their proposed rosters there was 'a marked concentration in the 7.5 to 8.5 hour band' - indeed, they constitute 65% of all proposed rosters. More significantly still over half of draft programmes were 'below 8 hours' and we calculate, that less than 20% of programmes lasted more than 8½ hours. In other words, to judge from the Board's proposed rosters it is not intended, except in a minority of cases, to roster drivers for longer hours than at present. And even where

this happens the intention is to limit the increase to half an hour or less in at least half the rosters involved. As a result there should be no problem in providing adequate compensation for rosters in excess of eight hours, and only relatively infrequently will drivers be expected to work significantly longer than eight hours thirty minutes.

155. In our Appendix E we have included the Board's calculations for the distribution of turn lengths in each one of the thirteen depots where they have provided draft rosters to the parties and the Tribunal. They will be seen to confirm the points they make. It should also be understood that where such rosters include a relatively large number of turns above 8 hours - for example, in the case of Euston - this can only come about as a result of negotiation and agreement at LDC level - as has been the case in some guard's depots. In other words, it expressed the preferences of those involved, and is not an automatic consequence of flexible rostering.

156. On overtime the Board's main point is that the greater part of this is not linked to roster length. It arises from late running, or working outside the standard week on Sunday/Monday turns. Since the sum total of overtime from all causes among drivers is an average of 58 minutes a week, the Board feels that

'taken as a whole therefore, overtime is likely to balance out at much the same level as at present and both of ASLE&F's contradictory contentions are unsubstantiated, ie. that there will be a major earnings loss and that drivers will be required to work much more overtime'.

157. Not surprisingly, since this is their view the Board do not agree that flexible rostering will result in more irregular or unsocial hours being worked. As they put the point:

'These are closely related subjects. It is seen as an objective of 7-9 hour rostering that the most unsocial booking on times (treated as between midnight and 5am) should be reduced in quantity where practicable. It may not always be possible to achieve a reduction (because of timetable constraints at pure passenger depots), but it can be said unequivocally that there will be no increase'.

158. Drawing on their experience of the guard's agreement the Board claim 'very substantial' reductions in the numbers of men booking on between midnight and 5am. They also claim 'some improvements' in booking off times. At some depots, they say, 'it has been possible to reduce the total quantum of hours scheduled in the midnight to 5am period'. In conclusion they feel able to assert:

'There is no evidence that the change to 7-9 hour rostering would lead to greater overall variation in booking on and off times, ie. more separate times, and as explained their distribution would improve in most cases'.

159. The Board also deny that work in spare links will be more likely to result in overtime than programmed work. This is because 'spare men would be rostered not less than the average turn length of the diagrammed turns'. Moreover, if when called upon to act as sparemen, drivers do find that they are working 'excess time', this will be 'paid at overtime rate and will be offset to an equal extent by the requirement to cover shorter turns'. Once again the Board feel they can conclude:

'Ghosting exercises have been carried out at several of the sample depots whereby the variable rosters have been operated alongside the normal linking arrangements on a simulated basis. These have indicated quite clearly that basically there is very little difference in the allocation and utilisation of spare men under variable roster arrangements. This is borne out by the Guards roster arrangements, which have now been operating for some weeks at many depots and where the use of spare men, both within and outside the links, operates on a similar basis to footplate staff.....'

160. And once again they point to the role of LDC's:

'..... The LDC should decide the arrangement which best suits local requirements and ensures the optimum use of spare men, such that minimum overtime is incurred'.

They also foresee no problems arising from the need to maintain existing ways of distributing spare work, including the retention of specialized 'spare links'.

161. Similar answers are given to fears about the running of special trains, or cover for public holidays. We are told that existing arrange-

ments will continue, and that these will be regarded as matters for 'local agreement according to the preferences of the staff'. It is admitted that under the system involving the suspension of normal rosters on public holidays, the need to minimise the effect of long and short turns could produce 'a minimum amount of overtime'. But the Board concludes:

'Either way no difficulty is foreseen. Certainly there are no insoluble problems in regard to Bank Holiday working and the effects are no different to those for Guards'.

162. It is also suggested that no changes will be required in the present arrangements for rest days: 'Where the current practice is for cover from without the link there is absolutely no reason why this should not continue'. In any case rest day relief 'can be provided from any link to any link where this currently applies and it is the wish of the LDC that this continue'.

163. On the question of travelling to and from work the view of the Board is even more firm: 'Overall it is considered that there should be no worsening, but most drivers live within five miles of work, and those who don't reside on line of route for staff trains which operate outside the hours of normal public service'. In addition, as a direct result of flexible rostering, there are the offsetting factors of shorter turns, additional rest days and a reduction in the incidence of signing on during night hours.

164. The Board also dispute the ASLE&F view that their proposals will involve unstable earnings and some loss of income. There will be no significant change in the elements constituting almost 90% of total pay, while in respect of the rest:

'The Board's assessment is that the change in average weekly earnings through variable day rostering would be insignificant.....drivers average weekly earnings in the sample depots are unlikely to vary up or down, as a result of variable rostering, by as much as £1 (0.6%); the change could be very much less than this at most depots.....individual drivers may experience slightly greater changes in earnings, but this is a normal situation when work alterations affect a depot, and a matter which LDC's would take into account in arriving at their local arrangements'.

165. On seniority principles the Board are equally unyielding. They may occasionally need to be modified at local level, to take cognisance of turns of varying lengths, but, these will need to be agreed by LDC's. In general terms:

'The long standing practice of senior men for senior work will continue unchanged and there is nothing in the flexible rostering proposals which in any way precludes this arrangement. Link structure will continue as now on that basis and have been so arranged.....Local rostering arrangements, formulated by the respective LDC's can continue to respect seniority in the allocation of men'.

166. Also largely unaffected will be the availability of work for the medically restricted. They anticipate 'little effect upon Shed and Pilot Turns', since it would be difficult to add short periods of work of this kind to main line rosters; because the 'vagaries of train running could result in absence of full cover'.

167. All of which brings us to the one complaint by ASLE&F where the Board is prepared to admit they may have a point - the problem of mutual exchanges. Although even here, says the Board, it must not be got out of proportion. In the first place an analysis of sample depots indicates that the demand for exchanges varies from depot to depot - from a maximum of 8% of turns to as little as 1%. Neither location, nor distance from work, appear to have much to do with the level of demand.

168. Secondly, even under the present system, drivers are forced to exchange turns of varying value or attractiveness. Some last longer than eight hours, even now. Others are known to be subject to delay. Some involve night work, or run over into week-ends. Others carry high mileage payments, or no mileage payments at all. Even if asked to swap one eight hour week-day turn for another, a driver may be well aware that he is being asked to make a poor exchange. The work content of both turns may be very different. In one case it may be possible to leave duty before the end of the rostered turn, if there is no other work available. Yet given all these 'some of the losses can obviously be offset at a later date in reverse arrangements'.

169. Given this background the Board argues that the modest variations in turn length which they propose will come to be

regarded as one more difficulty to be overcome by the minority of drivers who are seeking mutual exchanges for their own benefit. They conclude that an 'examination of the proposed rosters indicates that mutual exchanges can still be agreed without undue difficulty'.

170. Finally, the Board points to the experience of guards, where 'exchanging turns is on average not greatly different to that for drivers'. As a result they conclude:

'It is accepted that there has to be more given and take by them involved but this does not appear to have inhibited the practicability of mutual exchanges, as demonstrated by the working examples of Guards in recent weeks at depots where variable rosters are already in operation'.

171. Having analysed the allegations of ASLE&F and the replies of the Board, we turn to what our investigations have led us to conclude. In general we feel that the fears of the ASLE&F can be met. Insofar as they have substance it should be possible to provide ways of reassuring them without undermining the benefits to be derived from flexible rostering.

172. To begin with we believe that given the spread of hours proposed by the draft rosters, the overall impact on hours of work ought not to involve a significant and unjustifiable increase in stress and strain. Particular problems could arise if individual drivers were expected to accept a series of rosters at or near nine hours, without compensation in the form of shorter rosters, or rest days. But it ought to be possible to avoid this danger when agreeing rosters at local level.

173. We also see no reason to expect an overall increase in unsocial hours of work - defined in terms of those which are signed on or off between midnight and 5am. Once again the position of individuals will have to be safeguarded.

174. Irregularity poses a rather different issue. In a sense ASLE&F is right. If rostered hours are to vary from day to day - admittedly not so markedly as many members of ASLE&F fear - then it can be

argued that in a technical sense they have become less regular. On the other hand, it is surely the unpredictable nature of irregularity that is the main reason why it is felt to be objectionable and we see no reason why flexible rostering should involve a significant increase in unpredictability. On the contrary, the prospect of an eight week cycle of work offers the opportunity for more predictability and greater pre-knowledge of commitments. We return to this problem below.

175. We also feel that the Board has partly answered the ASLE&F's fears concerning 'travel to and from work problems'. Given the limited impact on the spread of working hours which we expect these ought not to be greatly affected by the existence of more rosters in excess of eight hours. It is also arguable that they will be partly compensated for by the shorter rosters which follow. On the other hand we see the case that in themselves variations in starting and finishing times make it more difficult to operate mutually beneficial arrangements for collective travel. This also is a matter we consider further below.

176. In the case of overtime we believe that in most cases there should be little or no variation in incidence over an eight week cycle. Individuals may face greater variations, especially over shorter periods, but we are certain that this problem could be taken into account when agreeing roster patterns. We believe it is reasonable to assume that when drivers are called upon to work spare turns they may well be asked to work relatively longer hours than the average diagrammed turn. But this will only present serious problems if drivers are called upon to act as spare men for any continuous period of time. Where this happens it must be as a result of LDC agreement, and compensatory time off, in terms of additional rest days, should be provided. Once again we believe that adequate safeguards can be introduced to protect individuals and discuss this in greater detail in the following section.

177. We also see no reason why flexible rostering should make it more difficult to provide special trains, or holiday working, or Saturday services, without significant increases in overtime. We fully agree

with ASLE&F that it should not result in additional pressure being placed on drivers to surrender their rostered rest days. The Board has said that this will not happen. We shall propose safeguards to ensure this.

178. On the whole we feel that the Board's estimates of the average loss of weekly earnings to be expected from the introduction of their proposals are reasonable. In themselves they would not add significantly to the instability of earnings. Particular problems could arise in relation to individuals, but we return to them below.

179. We are convinced that the introduction of flexible rostering ought to be broadly compatible with the negotiation and/or maintenance of local agreements for the 'equalisation of earnings'. It ought also to allow spare turns to be confined to special links, if this is what LDC's want. If current practice is that rest day cover is provided from outside a given link, it ought to be easy to maintain this system under flexible rostering. Above all, we see no reason why the long standing practice of respecting the principle of seniority in the allocation of work and progress through the links should not continue as before. We realise that changes may have to be made in the detailed application of all these agreements and practices when preparing and operating particular rosters; but these matters should be left to the LDC's, where agreement for change must be obtained from ASLE&F representatives.

180. We are not completely convinced by the argument of the Board concerning work for the medically restricted. We feel that it may well happen that significant parts of their work could be included in some main line rosters. We think there is a case for ensuring that what the Board says it thinks will happen actually takes place.

181. We are also not convinced that it will be easy to provide drivers with mutual exchanges 'without undue difficulty'. We think the problems of matching rosters of differing length are probably a little more serious than those that exist already under a system of eight hour turns. We do not accept that the experience of guards in this respect is decisive, largely because of the need, in the case of drivers, to take into account the restrictions imposed by a drivers' traction and

route knowledge. As a result we think that the Board tends to underestimate this objection to their proposals by the ASLE&F.

182. On the other hand, it is clear that the size of this problem, in particular depots, is likely to be a function of three factors: First, the proportion of drivers desiring exchanges; second, the variety of route and traction knowledge require for work in the depot; third, the extent to which programmed turns vary in length. Fortunately, while factors one and two are fixed, factor three can be varied by agreement. It is, therefore, possible for LDC's to take into account the need to secure scope for mutual exchanges when deciding how far to vary roster length. We think it is a factor which they should bear in mind, and we return to it below.

183. We have now defined our attitude to all the substantial objections raised by ASLE&F and listed at paragraph 142 above. We can now begin to answer the last two questions posed at paragraph 117. We consider that the Board's proposals for flexible rostering come within the terms of sub-paragraph 2(c) of the Productivity Understanding in two respects:

First, in the form in which we were asked to pronounce on them, they would make a contribution to the improvement of productivity by facilitating a more effective use of drivers' time.

Second, subject to the safeguards we shall propose below, they would not constitute, in the terms of sub-paragraph 2(c) an 'unreasonable variation in the length of each working day or week'.

However, it is necessary to stress that the contribution to productivity represented by these proposals would not be attainable without modifications in existing national agreements.

184. Before we can specify the precise recommendations which follow from these conclusions it is necessary to explore the implications of the reference above to existing agreements. We have already made clear, at paragraphs 131 to 135, why there has to be a change in two agreements if the savings that would follow from a more effective use of drivers time are not to be more than offset by additional costs. What needs to be explained now is our attitude to the way in which

these necessary changes should be secured, and what we think should be done to gain agreement for them from all parties.

185. Because we have decided that the legitimate fears of the ASLE&F can be met this does not mean that we do not take them very seriously. On the contrary, our visits to depots have convinced us that there exists a real and widespread resistance to the Board's proposals for flexible rostering which the ASLE&F's submission to this Tribunal reflected with accuracy and force. All the objections raised by the ASLE&F we encountered in the field. It was also clear that ASLE&F members felt that the nature of driver's responsibilities, and the implications of the Board's proposals for assistant drivers, meant that there were no valid comparisons to be drawn between their position and that of guards. They were also convinced that the proposals placed before us were only the prelude to further demands by the Board - most notably in the form of restricted physical needs breaks.

186. In these circumstances we can understand why drivers see the 1919 agreement as something of a sheet anchor; providing them with essential safeguards which they can otherwise not maintain. As will, we hope appear below, we think it is possible to provide them with alternative safeguards within a system of flexible rostering to be jointly agreed. For the most part we propose to do this by taking the Board at its word: what the Board says will not happen, and has not happened in the case of guards, we propose should be guaranteed. As a result we hope that drivers and the Society will be provided with an effective alternative to the 1919 agreement, as it exists at the moment.

187. There remains the question of the manning agreement. We have said why this must be modified to make single manning possible up to nine hours, if the Board's proposals are to produce any net savings. The Board asks us to say that this should be agreed forthwith. Our problem is that the words of sub-paragraph 2(c) do not refer to manning as such. 'Easement of conditions on single manning on traction units' is the heading of sub-paragraph 2(d). Thus while productive variable rostering involves a modification of manning practices, the criteria to be observed when negotiating changes in manning agreements are set out in sub-paragraph 2(d). They are as follows:

'Negotiations shall take place on the proposals relating to single manning conditions, on the understanding that provisions will have to be made for appropriate safety measures and that there should be no worsening of staff conditions. These discussions shall be concluded by 31 October 1981'.

188. Unfortunately the inability of the parties to agree to a form of flexible rostering as set out in sub-paragraph 2(c) has so far prevented any discussions of how to implement this paragraph. In the circumstances we are extremely reluctant to interpret it for ourselves, and in general terms we have been asked to leave this matter to the parties. In specific terms the NUR has suggested to us that the question of manning changes should be decided by a 'separate agreement'. Their solution is to 'agree flexible rostering, then look at the manning agreement to see how it needs to be amended'. On the whole we agree with this approach and seek to give it practical expression below.

189. We feel we need to comment on three other issues before passing to our specific recommendations. The first concerns the implementation of the shorter working week. We have made clear above that following our recommendations in RSNT 63 the parties agreed, at the time of the 1980 pay settlement, to reduce the working week by one hour in a way which would 'minimise the cost effect'. It does not seem to us that simply to add extra rest days constitutes a minimum cost approach. The Board have said that on the basis of existing agreements this would require another 590 footplate posts at a direct cost of £8.8m a year more than the Board's proposals. If these extra posts were not occupied, but more rest days were worked instead, the additional cost could be higher still - ie. around £10m a year. In the circumstances we can see why the Board has proposed flexible rostering as a way of making progress towards the 39 hour week.

190. Of course to introduce it in this form is not the only way in which it could be implemented at 'minimum cost'. Thus we were told that the initial proposal by the Board was confined to a restricted

change in the use of the standard week time - ie. a combination of 5 x 7 hours 48 minute turns, 39 turns of 8 hours in 8 weeks, and 5 turns in a week not necessarily of equal length, the most cost effective option being used in each situation. If it had been possible to reach an agreement on this basis, the Board would have been prepared to implement the shorter week and continue negotiations on the wider question of flexibility. However, ASLE&F rejected this proposal and the NUR expressed major reservations.

191. In the report of the ACAS Committee of Inquiry we said, at paragraph 98, that we considered that the question of how to implement the shorter working week agreement constituted one aspect of the dispute arising out of a failure to make progress on the ACAS understandings. As such it was before us as a Committee of Inquiry. However, we took the view that we were not competent to settle all the issues before us at that time; we preferred to decide the question of the disputed 3% payment and proposed a procedure for ensuring a return to work and a decision on the Board's proposals for flexible rostering. Since they embraced a way of moving towards the shorter working week we said that the solution of this matter would also 'have to wait on the outcome of the dispute on flexible rostering'.

192. However, we now feel that we can say that if the parties could agree the rest of our proposals, then it seems only common sense to use the introduction of a more flexible rostering system as an opportunity to move towards a shorter working week. Obviously when hours are shortened the cash value of overtime premia is increased - which helps to compensate for any lost overtime payments, or any sums that would have been due to drivers rostered for seven hours under the provisions of the present guaranteed eight hour day agreement. It also provides the basis for extra rest days, which can help to compensate for those rosters which exceed eight hours.

193. In other words, the benefits to be derived from a shortening of the working week complement and assist moves towards more flexible rostering. At the same time the productivity improvements expected to flow from the latter help to absorb the cost of introducing shorter working hours. Of course if our proposals do not find favour, then the dispute about how to implement those parts of the 1980 agreement which deal with the shorter working week will remain a matter of dispute.

194. The second question which needs to be decided at this point concerns the limits we should impose upon ourselves in this award. Our terms of reference are to consider 'the proposals of the British Railways Board for the implementation of sub-paragraph 2(c)'. We take these to be the 'up-dated' proposals made to the unions on the 19th February last. As can be seen from Appendix A they include proposed changes in Physical Needs Breaks at paragraph 3.1. Yet at the hearing the Board told us that we should not concern ourselves with these matters. On reflection we feel that we agree with the Board.

195. While it is true, that as the ASLE&F spokesman said at the time, the Board wishes to move in this direction; the Board says that flexible rostering without any change in PNB's still represents a positive improvement in productivity, albeit of a modest kind. In this sense it is not in the same category as a change in the manning agreement to allow single manning up to nine hours. This is essential if costs are to be contained. Moreover, it is the manning agreements that will need to be changed if PNB's are to change - for the present rules governing PNB's are embodied in the manning agreements. We have already explained why we wish to limit our role to interpreting or proposing changes in the manning agreements, and we have not sought to gain evidence from the parties about the consequences of any changes beyond single manning up to nine hours. We do not intend therefore to consider the issue of PNB's further. It may be assumed therefore that what we have to say below does not pre-judge or seek to influence the parties in what they may decide to do about PNB's: nothing in our award should be thought to affect the negotiations in any way. These are matters to be decided when the parties consider how to implement sub-paragraph 2(d) of the Productivity Understanding.

196. It is also worth making it clear that nothing we recommend below affects the maximum permitted total driving time, which at the moment is 6 hours. It also does not affect the maximum continuous driving time non-stop - ie. 2½ hours to 3 hours according to class of train. To make this quite certain we quote a reply we received on this issue from the Board:

'The Board's proposal, within the scope of Clause 2(c) of the productivity understanding and the present RSNT reference, is that the overall limit for single manned turns should be lifted to 9 hours, consistent with the proposal for variable day turns between 7 and 9 hours. Under this proposal there would be no change in the existing permitted total driving time limit of 6 hours or the existing limits of continuous driving time'.

These are matters which the parties are free to consider when they come to discuss the implications of sub-paragraph 2(d).

197. We also wish to make clear that the draft rosters placed before us for drivers were prepared on the basis of three limiting assumptions:

- (1) No alteration in the allocated work to existing depots.
- (2) No alteration to traction training.
- (3) No major changes to existing link structures.

We understand that similar assumptions governed the rosters that have been introduced for guards. We consider that these limitations are reasonable, and if fully understood should help to limit the fears and concerns of ASLE&F and its members in relation to 'lost work' and the possible disruption of depots. We propose no changes in these assumptions, and nothing that we say should be thought to justify their subsequent modifications.

198. In all the ways specified above our specific recommendations are intended to be limited in their scope and impact, but we have to deal with one final request from the Board, which would take us further afield in a more general sense. They have asked us to recommend:

that the parties should expedite negotiations on the remaining items to which they were committed in the ACAS understanding on productivity, in order to reach agreements within the machinery on a minimum time scale'.

We feel we should reply to this request and do so below.

199. Our answers to the fourth question at paragraph 117 concerning our general approach may be summarised under four heads:

(1) We consider that within the limits and conditions specified in this award, and set out below, a more flexible rostering system for footplate staff can be introduced in a way which safeguards the legitimate concerns of the ASLE&F and its members. This would be implemented at LDC level, and would require the agreement of local representatives of footplate staff. It should not involve any risk to safety and need not result in additional stress or strain. It could be made compatible with the kind of stability in earnings and hours which ASLE&F now believe is only attainable by the retention of the 8 hour guarantee agreement in its present form. We do not see why it should require a significant increase in clerical and administrative staff.

(2) To ensure a positive contribution to productivity the parties would have to agree to a modification of the manning agreements to permit single manning for rosters up to nine hours duration. But this would not in any way pre-judge or predetermine the outcome of any subsequent discussions over the implementation of other parts of the 1981 Productivity Understanding.

(3) It would make possible a 'minimum cost' reduction in the length of the working week which would bring significant benefits to footplate staff - eg. additional free days, a reduction in booking on and off at unsocial hours and an inviolate right to rest days off. The implications of paragraph 3 of the Productivity Understanding would also need to be considered - ie. 'specific rewards' to be negotiated for those staff whose responsibilities are 'directly affected under these agreements'.

(4) We remain convinced that a failure to agree any proposal for more flexible rostering which makes a positive impact on productivity by improving train working time, will seriously affect the Board's ability to obtain the essential capital it urgently requires for investment and modernisation. This is bound to have severe consequences for railway services and jobs.

In the light of all these considerations we now proceed to offer our specific proposals for resolving this dispute. They represent our unanimous opinion.

D. Specific Recommendations

200. Our recommendations deal with four related issues:

- (1) Safeguards and criteria to be observed when negotiating more flexible rosters at LDC level.
- (2) Procedures for resolving disagreements at LDC level.
- (3) The modification of existing manning agreements to permit single manning of rosters up to nine hours.
- (4) Issues outstanding.

Safeguards and Criteria

201. The 1919 Guaranteed Day Agreement provides that 'in the event of a man being available for duty on any week day he shall be guaranteed a day's pay.' The Board proposes to replace this with an agreement guaranteeing 39 hours pay a week 'providing the rostered turns are worked.' Rosters are to vary within 7 and 9 hour limits. We recommend acceptance of the principle of rosters varying from 7 to 9 hours on the following conditions:

- (1) The guaranteed weekly payment should be paid to all who are available for duty and willing to work agreed rostered turns as determined by their appropriate LDC.
- (2) In seeking to agree rosters the LDC's should observe the safeguards and criteria set out below.
- (3) Where flexible rosters are agreed and put into operation the appropriate provisions of the 1919 agreement should be replaced by guaranteed weekly payments as proposed by the Board.

202. We therefore recommend that the parties represented on the RSJC (Loco) should negotiate a Safeguards and Criteria agreement governing

the introduction of flexible rostering at LDC level. It should embody the following principles:

Hours of work

- (a) Rosters should be varied to ensure that the majority of diagrams are not more than 8 hours duration. Not more than 20% of diagrams should normally be above 8½ hours. Successive turns in excess of 8½ hours should not be worked by drivers unless mutually agreed. In which case they should be granted appropriate off duty time i.e. rostered rest days.
- (b) There should be no increase in the number of turns signed on and off at hours - defined as hours between 12pm and 5am. One aim of flexible rostering should be to reduce unsocial hours - for example in respect of booking on and off times.
- (c) There should be no general increase in travel to work problems. The aim should be to reduce these problems. Where the exigencies of the service produce increased problems for particular drivers, consideration should be given to some form of assistance.
- (d) Full advantage should be taken of the programme cycle of 8 weeks to provide drivers with advance information concerning their future roster duties. In this way the less regular pattern of flexible rostering need not lead to greater uncertainty concerning future work patterns and the availability of time off.
- (e) There should be no significant variation in the amount of rostered overtime required from particular depots over an 8 week cycle. Care should be taken to ensure that short term variations affecting individuals are kept to a minimum.

(f) Work on spare turns, special trains, public holidays or at week-ends, ought not to involve drivers in a significant increase in rostered overtime. If the exigencies of the service require short term increases adequate time off must be provided in the immediate future.

(g) With the introduction of flexible rostering drivers should be guaranteed their rostered rest days.

Earnings

(h) There should be no significant variations in earnings levels as a result of flexible rosters at a particular depot. Care should be taken to ensure that variations affecting individuals are kept to a minimum.

Local Agreements and Practices

(i) Local agreements and practices ought not to be significantly affected by the introduction of flexible rostering - eg. seniority principles, the distribution of spare turns between links, agreements on the equalisation of earnings, the provision of rest day cover, the practice of linking rest days with other holidays etc. It ought to be possible to offer staff established options in this respect, although their detailed application may need to be changed by agreement.

Mutual Exchanges

(j) It should be possible for drivers to continue the practice of exchanging rosters without undue difficulty.

Medically Restricted Work

(k) The introduction of flexible rostering should not significantly reduce the availability of work for medically restricted drivers.

Limiting Assumptions

(l) The introduction of flexible rosters should not involve any alteration in the allocation of work to existing depots; or any alteration to traction training; or any major changes in existing link structures. This agreement does not involve any change in maximum permitted driving periods.

Compulsory Redundancy

(m) The introduction of flexible rostering should not involve any dismissals for redundancies.

Procedures for resolving disagreements at LDC level:

203. The guards agreement provides that disagreements over the introduction and application of flexible rostering should be processed through the machinery of negotiation. If disagreement arises at LDC level the introduction of new rosters are deferred pending agreement within the machinery. After six months experience the position will be reviewed and it was agreed that 'if there was evidence that the number of such cases was greater than envisaged management would reserve the right to revert to the former arrangement of the implementation of rosters following the involvement at local level of Sectional Council Representatives.' In addition any matter of 'principle' arising from the introduction of variable rostering can be raised at RSJC (Traffic) level.

204. Whilst this agreement is not before us, we consider that it embodies an approach which helps us in considering the issues before us. It makes clear that while the general principle of rostering on a more flexible basis has been agreed, there is still a need to gain agreement for the introduction of particular rosters at local level. This is in the spirit of our Decision 54 and extends the principle of joint determination in a way we are bound to approve. In particular, we believe that it is wise to include the specific reference to the status quo principle - ie. the need to defer the introduction of new rosters until there is agreement at local level. We consider that within

the limits set by their own machinery the principles and advantages of this agreement should be applied to footplate staff. In addition, we propose, for the consideration of the parties, a slightly more extended reference to the status quo principle.

205. In doing this we stress that we fully understand the position of the Board; they are anxious to preserve their right to re-consider the position if, at the end of what might be termed a 'trial period,' it appears that there are still a considerable number of cases where flexible rosters have not been introduced.

206. What we recommend is the following:

The introduction of flexible rostering at local level should be specifically remitted under the terms of the LDC agreement to the appropriate LDC. If disagreement arises the introduction of new rosters should be deferred pending agreement within the machinery. After six months experience the position should be reviewed. Unless there is evidence, at this stage, that the number of outstanding disputes is considerable and greater than envisaged, the parties to the agreement should agree to its extension.

The Modification of Existing Manning Agreements

207. We have made it clear why any form of flexible rostering that does not add to costs must involve a modification of manning practice. This cannot be done unless the present agreements are changed to permit rosters to be single manned up to 9 hours. Such changes are covered by the terms of sub-paragraph 2(d) of the Productivity Understanding viz:

'Negotiations shall take place on the proposals relating to single manning conditions, on the understanding that provisions will have to be made for appropriate safety measures and that there should be no worsening of staff conditions.'

We recommend therefore that the parties should agree the safeguards and guidelines we have set out above, and the procedures we propose for the joint control of their application, they should go on to negotiate a limited change in the current manning agreements to permit rosters up to nine hours to be single manned.

Issues Outstanding

208. We need to refer to two further issues. First, the discussions about flexible rostering for footplate staff have never proceeded to the point where detailed consideration needed to be given to the provisions of paragraph 3 of the Productivity Understanding. We were told of the arrangements which have been made to implement this part of the Understanding in relation to other grades - notably guards. We note these, and fully appreciate why the NUR regard them as one of the benefits they gained from accepting flexible rostering. But they are not before us, and we have no wish to comment on them further.

209. The point we wish to make is that the introduction of a more flexible rostering system for footplate staff, combined with an extension of single manning, would seem to affect 'responsibilities.'

We therefore recommend that there should be negotiations between the parties on the way in which to implement sub-paragraph 3 of the Productivity Understanding which states that 'It is re-affirmed that specific rewards will be negotiated for those staff whose responsibilities are directly affected under these agreements.'

210. Our final question concerns the request of the Board for a recommendation concerning the 'remaining items to which... (the parties) were committed in the ACAS understanding.' We do not feel that we can make this in the form of 'a minimum timescale.' We have insufficient detailed knowledge of how negotiations have proceeded or the issues in dispute. Indeed, our knowledge is confined to what we have read in the press and our experience of reports of our own deliberations have not encouraged us to rely on this source.

What we can say is that we feel it essential to the future of the railways that progress is made on the remaining items to which the parties were committed in the ACAS understandings. It is also essential that these extremely important and far-reaching issues are approached in a spirit of realism, and with a willingness to find the basis for agreement rather than confrontation.

The Essence of Our Recommendations

211. We faced a complex and intractable problem made more difficult by a protracted and costly industrial dispute. We decided that the terms of sub-paragraph 2(c) on flexible rostering must involve changes that made a contribution to improved productivity. This meant reducing costs by a more effective use of drivers' time. But it became clear that even cost containment was not possible without some modification of existing agreements on the 8 hour guarantee and double manning. As they stood they meant that all forms of additional flexibility must add to overall costs. We decided that a move of this kind was not compatible with the terms of the Productivity Understanding containing sub-paragraph 2(c).

212. Yet we were made all too aware of the very real concerns of ASLE&F and their members. They felt that the Board's detailed proposals for implementing sub-paragraph 2(c) would result in a worsening of conditions and would affect safety. They did not consider that their position was fully comparable to that of guards, partly because of the nature of their responsibilities, and partly because of the issue of single manning.

213. Our solution has been to make flexible rostering dependent upon prior agreement on a series of safeguards and criteria. They are designed to meet virtually all the significant doubts voiced to us by ASLE&F. We consider they provide drivers with an effective alternative to the protection which they now receive from the 8 hour day agreement - indeed in many ways they go further. We also propose that the application of these safeguards and criteria should be decided at local level - where ASLE&F and NUR representatives will need to agree particular rosters before they can be introduced.

Yet for the most part these conditions protect drivers from consequences which the Board has told us it does not intend and would not wish to see.

214. We urge these proposals on all the parties with all the force we can muster. We realise that in the case of both the Board and the ASLE&F they involve a change of position, plus a readiness to try something new. We have said why we feel that unless progress is made on this question the future outlook for the railway system and railwaymen is bleak and unpromising. We have made it clear that we believe that there is not much time left.

215. Yet nothing we have said is intended to justify unilateral action or confrontation. We have done our best to bridge the very considerable distance which we found between the parties. Our report is intended to be a way of talking about how to narrow that gap. It would give them an opportunity to seriously consider the proposals we have made for practical application of the two understandings from their discussion with ACAS in August 1981. Further movement is up to them.

216. Our Award may be summarised thus:

GENERAL CONCLUSIONS

- (i) In the context of the Productivity Understanding sub-paragraph 2(c) must have been intended to lead to a form of flexible rostering which does not add significantly to unit labour costs and is intended to reduce them. Otherwise it is difficult to see how such a system could be expected to improve productivity.
- (ii) We cannot accept that the ASLE&F has proposed a means of moving towards this objective while remaining within the confines of existing national agreements.

(iii) The Board's proposals do come within the terms of sub-paragraph 2(c) in that:

- (a) They would make a contribution to productivity by facilitating a more effective use of drivers' time.
- (b) Subject to the safeguards we shall propose, they would not constitute, in the terms of sub-paragraph 2(c), an 'unreasonable variation in the length of each working day or week.'

However, it is necessary to stress that they would not make a net contribution to productivity without modifications in existing national agreements.

(iv) Within the limits and conditions of this Award a more flexible rostering system for footplate staff can be introduced in a way which safeguards the legitimate concerns of ASLE&F and its members. Such a system:

- (a) Should not result in additional stress or strain.
- (b) Could be made compatible with the kind of earnings and hours stability which ASLE&F now believes is only attainable by the retention of the 8 hour guarantee agreement.
- (c) Should not involve a significant increase in clerical and administrative staff.
- (d) Would need to be implemented at LDC level and require the agreement of local representatives of staff.

(v) To ensure a positive contribution to productivity the parties would have to agree to a modification of the manning

agreements to permit single manning rosters up to nine hours duration. This agreement:

- (a) Would not pre-judge or pre-determine the outcome of any subsequent discussions over the implementation of other parts of the Productivity Understanding - eg. further changes in manning standards or changes in personal needs breaks.
- (b) Would not affect the present maximum permitted total driving time and the maximum continuous driving time non-stop. Nothing in this Award is intended to affect these in any way.

(vi) The system of flexible rostering proposed would make possible a 'minimum cost' reduction in the length of the working week to 39 hours. This would bring significant benefits to footplate staff - eg. additional free days, a reduction booking on and off at unsocial hours and an inviolate right to rest days off. The implications of paragraph 3 of the Productivity Understanding would also need to be considered - see below.

(vii) We are convinced that a failure to agree any proposal for more flexible rostering which makes a positive impact on productivity by improving drivers working time will seriously affect the Board's ability to obtain essential capital it urgently requires for investment and modernisation. This is bound to have severe consequences for railway services and jobs.

SPECIFIC RECOMMENDATIONS

Our recommendations deal with four related issues:

- (1) Safeguards and criteria to be observed when negotiating more flexible rosters at national level.

- (2) Procedures for resolving disagreements at LDC level.
- (3) The modification of existing manning agreements to permit single manning of rosters up to nine hours.
- (4) Issues outstanding.

(1) Safeguards and Criteria:

We recommend acceptance of the principle of rosters varying from 7 to 9 hours on the following conditions:

- (a) The guaranteed weekly payment should be paid to all who are available for duty and willing to work agreed rostered turns as determined by their appropriate LDC.
- (b) In seeking to agree rosters the LDC's should observe the safeguards and criteria set out below.
- (c) Where flexible rosters are agreed and put into operation the appropriate provisions of the 1919 agreement should be replaced by guaranteed weekly payments as proposed by the Board.

We therefore recommend that the parties represented on the RSJC (Loco) should seek to negotiate a Safeguards and Criteria agreement governing the introduction of flexible rostering at LDC level. It should embody the following principles:

Hours of work:

- (a) Rosters should be varied to ensure that the majority of turns are of not more than 8 hours duration. Not more than 20% of diagrams should normally be above 8½ hours. Turns in excess of 8½ hours should not be worked by drivers in succession, unless mutually agreed and granted appropriate off duty time - ie. rostered rest days.

- (b) There should be no increase in the number of turns signed on and off at unsocial hours - defined as hours between 12pm and 5am. One aim of flexible rostering should be to reduce unsocial hours - eg. in respect of booking on and off times.
- (c) There should be no general increase in travel to work problems. The aim should be to reduce these problems. Where the exigencies of the service produce increased problems for particular drivers, consideration should be given to some form of assistance.
- (d) Full advantage should be taken of the programme cycle of 8 weeks to provide advance information concerning their future roster duties. In this way the less regular pattern of flexible rostering need not lead to greater uncertainty concerning future work patterns and the availability of time off.
- (e) There should be no significant variation in the amount of rostered overtime required from particular depots over an 8 week cycle. Care should be taken to ensure that short term variations affecting individuals are kept to a minimum.
- (f) Work on spare turns, special trains, public holidays or at week ends, ought not to involve drivers in a significant increase in rostered overtime. If the exigencies of the service require short term increases adequate time off must be provided in the immediate future.
- (g) With the introduction of flexible rostering drivers should be guaranteed their rostered rest days.

Earnings:

- (h) There should be no significant variations in earnings levels as a result of flexible rosters at a particular depot. Care should be taken to ensure that variations affecting

individuals are kept to a minimum.

Local Agreements and Practices:

- (i) Local agreements and practices ought not to be significantly affected by the introduction of flexible rostering - eg. seniority principles, the distribution of spare turns between links, agreements on the equalisation of earnings, the provision of rest day cover, the practice of linking rest days with other holidays etc.
It ought to be possible to offer staff established options in this respect, although their detailed application may well need to be changed by agreement.

Mutual Exchanges:

- (j) It should be possible for drivers to continue the practice of exchanging rosters without undue difficulty.

Medically Restricted Work:

- (k) The introduction of flexible rostering should not significantly reduce the availability of work for medically restricted drivers.

Limiting Assumptions:

- (1) The introduction of flexible rostering should not involve any alteration in the allocation of work to existing depots; or any alteration to traction training; or any changes in existing link structures. This agreement does not involve any change in permitted driving periods.
- (m) The introduction of flexible rostering should not involve any compulsory dismissals for redundancy.
- (2) Procedures for resolving disagreements at local level:
- (a) The introduction of flexible rostering at local level should be specifically remitted under the term of the LDC agreement to the appropriate LDC's.

- (b) If disagreement arises the introduction of new rosters should be deferred pending agreement within the machinery.
- (c) After six months experience the position should be reviewed.
- (d) Unless there is evidence at this stage that the number of outstanding disputes is considerable and greater than envisaged, the parties to the agreement should agree to its extension.

(3) The Modification of Manning Agreements:

The parties should agree to the safeguards and criteria we have set out above, and the procedure we propose for their joint control and application, they should go on to negotiate a limited change in the current manning agreements to permit rosters up to nine hours to be single manned under the terms of sub-paragraph 2(c) of the Productivity Understanding:

viz:- 'Negotiations shall take place on the proposals relating to single manning conditions, on the understanding that provisions will have to be made for appropriate safety measures and that there should be no worsening of staff conditions.'

(4) Issues Outstanding:

- (a) There should be negotiations between the parties on the way in which to implement sub-paragraph 3 of the Productivity Understanding.

viz:- 'It is re-affirmed that specific rewards will be negotiated for those staff whose responsibilities are directly affected under these agreements.'

- (b) It is essential for the future of the railways that progress is made on the remaining items to which the parties were committed in the Productivity Understanding. It is also

essential that these extremely important and far reaching issues are approached in a spirit of realism, and with a willingness to find a basis for agreement rather than confrontation.

4 May 1982

[Signed] McCarthy (Chairman)
G H Doughty
E F Choppen

APPENDIX A

BRITISH RAILWAYS BOARD

MEMORANDUM TO R.S.J.C.

18 FEBRUARY, 1982

PROPOSAL FOR VARIABLE PROGRAMMING AND ROSTERING HOURS FOR FOOTPLATE STAFF

1. OBJECTIVES

1.1 The objectives of these proposals are:-

- (a) To ensure that only those hours of productive work required are rostered to be covered.
- (b) To facilitate the implementation of the 39 hour week at minimum cost.
- (c) To enable an easement in the incidence of unsocial booking on or off times, to be achieved without additional cost.
- (d) To maximise the social benefits accruing from the selective grouping and rostering of rest days.
- (e) To increase the incidence of rest days, where practicable, within the constraints of minimal cost solutions.

2. GUIDELINES

2.1 Flexibility

In order to eliminate the maximum amount of unproductive work from Footplate programmes it is necessary to be able to vary their length between the widest limits possible.

2.2 Roster Cycle

In order to maintain this level of productivity when linking and rostering, as long a roster cycle as possible is beneficial.

2.3 Rest Days

In order to provide an increased number of rest days the average length of turn (or programme) must be raised higher than the 7 hours 48 minutes average.

2.4 Manning Agreement

The existing manning agreement requires amendment to allow, for example, Single Manning beyond an 8 hour programme to achieve the variable day benefits shown in the exercises.

- 2.5 Every endeavour to be made to ensure that rostering arrangements adopted do not involve unnecessary additional administration costs.

3. PROPOSALS

3.1 Programmes

- (a) Length to vary between 7 and 9 hours.
- (b) Footplate staff P.N.B.'s to be one of the following:-
 - 30 minutes between 3rd and 6th hour
 - or
 - 2 x 20 minutes between 2nd and 7th hour
 - or
 - 3 x 15 minutes between 2nd and 7th hour
- (c) Reduce where possible, at a minimal cost, signing on or off in the middle of the night.

3.2 Linking and Rostering Procedures

- (a) Allocation of duties to average 39 hours per week over the period of the roster cycle.
- (b) Rosters to include a minimum of nine rest days per 8 week cycle.
- (c) Rest days to be grouped to optimise the social acceptability of the rosters including the reduction of rest days or night turns.
- (d) Maximum length turns to be on night duty, wherever possible, with shorter turns on day-pm turns, again where this can be arranged.
- (e) Arrangements for the equalisation of earnings between links to be taken into account.

4. METHOD OF PAYMENT

- 4.1 Although individual turns and weeks work within a roster cycle may vary in length, for payment purposes the 39 hour week will be guaranteed and paid weekly providing the rostered turns are worked. Enhancements,

overtime, rest day and Sunday duty conditions and payments will continue to apply as will the present principles of payment for leave, sickness and other absences.

APPENDIX B

BRITISH RAILWAYS BOARD

VARIABLE DAY ROSTERS - PAYMENT ARRANGEMENTS - FOOTPLATE STAFF

The payment arrangements to be applied in association with the variable day roster agreement are as follows:-

All payments, including defined minimum payments per turn, will be determined on the basis of a 39 hour calculator.

Although individual turns and weeks work within a roster cycle may vary in length, for payment purposes the 39 hour week will be guaranteed and paid weekly, (4 weekly to staff paid by credit transfer), providing the rostered turns are worked. For payment purposes, the guaranteed day is the standard week time in the rostered turn and time worked in excess of this will rank for overtime payment on daily basis. Work cycles will not normally include any rostered overtime but where this is considered necessary and is agreed, its attachment to individual turns will be made clear and recognised in payment. To enable overtime to be calculated where variable day rosters are in operation rostered hours and actual time on and off will be input to the payroll system.

The basis of "balancing" base rate payment in a roster cycle where week lengths vary will be that for payment purposes there will be an identified plus or minus quantity of time each week sufficient to take the rostered standard week hours up to 39 (plus) or down to 39 (minus). For the roster cycle as a whole these plus and minus amounts will aggregate to nil.

Rostered
Standard Week
Turns

Payment to consist of:-

A standard week's pay for a 39 hour week (plus London Allowance where applicable) provided all rostered hours are worked in that week.

Plus

The weekly I.U.P. by appropriate category percentage provided all rostered turns for that week have been worked.

Plus

Night/Weekend and Bank Holiday enhancements as appropriate, for time worked.

Overtime
(Extending
Standard Week
Turns)

Overtime, plus enhancement, to be calculated on a daily basis for time worked each turn in excess of standard rostered hours.

SCHEDULE

Holidays	See schedule attached.
Sickness	(a) established status : base rate to be paid for standard week rostered time not worked, (subject to N.I. benefit deduction or payment of half base Rate/discontinuance beyond qualifying periods). (b) non-established; base rate payment reduced by standard week rostered time not worked. Sick pay to be calculated on existing rules when entitled (1/6 x 3/4 base rate per qualifying day, offset by N.I. benefit, where relevant).
Unpaid Absence	The standard week's pay for 39 hours will be reduced by the number of rostered hours per day or part day of absence.
Free Day/s	Payment to be for actual time worked at applicable enhancement rate/s, (subject to defined national agreement minimum payments for each day), plus I.U.P. per turn where appropriate.
Sunday Turns and Sunday/Monday Turns	Payment to be for actual time worked at applicable enhancement rate/s (subject to defined national agreement minimum payments according to Sunday time worked), plus I.U.P. per turn where appropriate.
Spare Turns	Start and finish time of rostered turn to be stated. Payment to be treated as normal turn, i.e. overtime to be paid for time worked in excess of standard rostered time each day.
Change of Turn	(Management need) - Length of rostered turn to be regarded as original roster for purposes of overtime calculation.
Change of Turn	(Mutual exchange) - Principle of 39 hour per week payment to be preserved. For purposes of overtime calculation length of rostered turn to be regarded as that of actual turn worked.
Minimum Earnings	Make-up to be calculated weekly, where MEL rules are met, on basis of 39 hour per week payment plus overtime and enhancements, etc.

ANNUAL LEAVE

The objective of this agreement is to ensure that staff receive their full annual leave entitlement of 3 weeks 2 days or 4 weeks according to length of service. To this end, the following principles will apply:-

- (i) staff have an absolute right to their full leave entitlement of 3 weeks 2 days or 4 weeks;
- (ii) where, owing to the grouping of free days, staff receive less days leave than are rostered in an average 3 weeks 2 days or 4 weeks, additional days will be granted to compensate for the shortfall;
- (iii) where additional leave outside the customary 2 weeks holiday period is taken in the form of individual turns, instead of complete weeks, 5 turns will count as one week in cases where rostered turns vary between 7 and 9 hours.

LIEU DAYS

Entitlement to lieu days will continue in accordance with existing national agreement. The payment will relate to the time not worked when the lieu day is taken and the normal 39 hour standard week payment will therefore be maintained.

APPENDIX C

BRITISH RAILWAYS BOARD

MEMORANDUM TO R.S.J.C.

18 FEBRUARY, 1982

THE MANNING OF TRACTION UNITS

1. BACKGROUND

Following papers and discussion on this subject since the commencement of talks under "Challenge of the 80's" a need is seen for Management to more precisely define the areas where a revision of the existing agreements are sought, taking into account views that have been expressed from both sides of the table. With the objective of seeking higher productivity and single manning wherever possible and including one man only operation development the revised detail is shown below for your consideration:-

2. REVISED MANNING AGREEMENT

With increased speeds, improved cab conditions and views expressed in regard to strain in different fields of operation it is seen that mileage or distance travelled per turn is becoming less important than time and concentration of effort. The proposals below are, therefore, revised to endeavour to meet this requirement.

3. PROPOSED AGREEMENT

All traction, except as shown in paragraph 4, will be manned by one Driver only, and the following limits will not be exceeded:-

- | | |
|-----------------------------------|---|
| 3.1 Aggregate duration of driving | (a) Inter-city passenger trains scheduled to run up to and including 100 m.p.h. |
| | <u>7 Hours</u> |
| | (b) Intensive suburban duties |
| | <u>8 Hours</u> |
| | (c) Trunk freight trains and other passenger services |
| | <u>8 Hours</u> |

(d) All other traffic

8 Hours

3.2 Continuous driving non-stop:-

3 Hours

3.3 Continuous driving including station stops as in:-

1. (a) 3½ Hours
1. (b) 4 Hours
1. (c) 5 Hours
1. (d) 5 Hours

3.4 Duration of programmed turn

Not to exceed 9 hours with proviso for shunting turns of duty started from different signing on point.

3.5 Physical needs break (all with full facilities)

- 1 x 30 minute break between 3rd and 6th hour
- 2 x 20 minute break between 2nd and 7th hour
- 3 x 15 minute break between 2nd and 7th hour

4.1 Two drivers will be provided between stops where over 100 m.p.h. running is scheduled. Each of these Drivers will be subject to conditions as in Paragraph 3 and they will change over en-route as necessary.

4.2 An appropriate Secondman qualified in the specific duties will be provided if there is:-

- (a) a steam heating boiler being operated,
- (b) a safety requirement.

APPENDIX D

EMPLOYEE NUMBERS

	(1)	(2)	(3)	(4)	(5)	(6)
	April 1950	End 1970	(2) as an index of (1)	End 1981	(4) as an index of (1)	(4) as an index of (2)
Drivers	44,237	21,488	(48.5)	18,626	(42.1)	(86.7)
All Footplate	87,678	29,877	(34.1)	24,350	(27.8)	(81.5)
Guards	24,653	14,164	(57.5)	12,017	(48.7)	(84.8)
Other Conciliation						
Traffic	96,546	49,390	(51.2)	31,615	(32.7)	(64.0)
Signalmen	26,020	11,726	(45.1)	7,263	(27.9)	(61.9)
Conciliation Eng.	60,170	33,847	(56.3)	30,119	(50.1)	(89.0)
Workshops	51,475	23,560	(45.8)	20,533	(39.9)	(87.1)
Clerical	n.a.	30,515	(n.a.)	26,781	(n.a.)	(68.1)
All Salaried	112,146	56,604	(55.4)	46,126	(45.2)	(81.5)
Total staff employed	497,031	207,707	(41.8)	166,362	(33.5)	(80.1)

NOTE: The grades for which figures are given are not intended to equate to the figure quoted for the total staff employed.

DISTRIBUTION OF TURN LENGTH (FOR 7-9 HOUR FLEXIBLE ROSTERING)

Depot	TURN LENGTH (HOURS / MINUTES)							
	07.00-07.30		07.31-08.00		08.01-08.30		08.31-09.00	
	Present	Proposed	Present	Proposed	Present	Proposed	Present	Proposed
York	0	26%	98%	41%	0.5%	5%	1.5%	28%
Lincoln	0	31%	100%	36%	0	5%	0	28%
Euston	0	14%	93%	28%	3.5%	28%	3.5%	30%
Nottingham	0	21%	98%	59%	2%	10%	0	10%
Ayr	0	30%	96%	54%	0	7%	4%	9%
Inverness	0	29%	87%	38%	5%	11%	8%	22%
Ashford	0	16%	94%	73%	5%	4%	1%	7%
Slade Green	0	17%	100%	70%	0	6%	0	7%
Bath Road	0.3%	12%	97.6%	60%	1.6%	17%	0.5%	11%
Westbury	0.3%	28%	92.3%	27%	6.2%	19%	1.2%	26%
Polmadie	0	18%	96%	60%	2%	15%	2%	7%
Glasgow Central	0	22%	100%	50%	0	17%	0	11%
Gourock	0	21%	100%	51%	0	18%	0	10%

APPENDIX F

UNDERSTANDING ON PRODUCTIVITY

1. The RSNC agrees that the discussions on productivity which took place at Watford on 15/16 July shall be resumed as quickly as possible within the appropriate sections of the RSJC and the results reported back to the RSNC.

2. When those discussions are resumed they shall take place on the basis of the following points agreed by the RSNC as a result of discussions held under the auspices of ACAS on 18/19 August.

(a) Open station concept

The parties accept the application in principle of this concept and agree that it will be possible to negotiate a specific agreement to introduce it. Negotiations shall be concluded on a basis for agreement by 31 October 1981.

(b) Manning of passenger trains

It is accepted that the introduction of the Bedford-St Pancras electrification service in May 1982 presents the industry with the opportunity of a fundamental rethink of the whole concept of manning trains where modern stock is introduced into intensive commuter areas.

Without any preconceived conditions on either side discussions shall take place on the prototype system for the Bedford-St Pancras service.

(c) Variable rostering hours within limits to be negotiated

Negotiations shall take place to establish variations to the rostering agreements with a view to introducing some flexibility around the 8-hour day, but without producing unreasonable variation in the length of each working day or week. These discussions shall be concluded by 31 October 1981.

(d) Easement of conditions of single manning on traction units

Negotiations shall take place on the proposals relating to single manning conditions, on the understanding that provisions will have to be made for appropriate safety measures and that there should be no worsening of staff conditions. These discussions shall be concluded by 31 October 1981.

(e) Manning of freight trains

There shall be an immediate joint examination with a view to establishing to the satisfaction of the parties the circumstances in which some freight trains could be operated without guards. Two or three pilot schemes shall if possible be ready for introduction by 1 January 1982.

(f) The trainman concept

Major obstacles between the unions which have prevented progress in this area in the past are being resolved. The ASLE&F and NUR undertake to enter into immediate negotiations with the Board with a view if possible to concluding an agreement which would provide recruitment, training and promotion through the grade of trainman to driver or to other appropriate grades. The negotiations shall be concluded by 1 January 1982.

3. It is reaffirmed that specific rewards will be negotiated for those staff whose responsibilities are directly affected under these agreements.

20 August 1981

cc Mr. Selvester ✓

BR/ASLEF DISPUTE

AWARD OF THE RAILWAY STAFF NATIONAL TRIBUNAL (THE McCARTHY REPORT)

The Government has always said that improved working practices and greater productivity are essential to the future of the railways. I am therefore delighted that the RSNT makes a clear recommendation for the acceptance of the principle of 7 to 9 hour rosters for footplate staff so as to make more effective use of drivers' time. It is now up to BR and ASLEF to implement the proposed new arrangements without delay, for the benefit of the railway industry, its workforce, and its customers.

J.

copy filed on
And tel
PH Industrial
Action in ports

CONFIDENTIAL

Prime Minister (2)

To see ~~XX~~ I have re-arranged

The long-postponed BR/wal meeting for Tuesday
when you will be able to take stock of the post
McCarthy BR position. M/S 5/5

MR SCHOLAR

cc Mr Walters
Mr Ingham

The Threatened Dock Strike; and the BR/ASLEF Dispute

The Prime Minister may welcome two pieces of modest good news.

There will be no national dock strike starting on Monday 10 May as threatened. The Cabinet Office Contingencies Unit met this afternoon to prepare for one, but we heard in the course of it that Connelly (TGWU Docks Group National Secretary) has decided to recommend to the TGWU suspension of action to allow time for the preparation of specific and detailed proposals, as suggested by Mr. Waddington on 5 May. The first reaction of Transport and Employment officials to this news is that the TGWU have accepted the lifeline thrown to them to avoid a strike, but that their demand for the extension of the Dock Labour Scheme to non-scheme ports (notably Felixstowe and Dover) cannot be put off indefinitely. The next danger point will be when the TGWU come back with proposals, perhaps in eight to twelve weeks, but the process of consultation may be extendable for much longer. Nevertheless this has been a nasty scare: we have come perilously close to the first national docks strike for ten years. Officials are agreed that we need to look urgently at the options for withstanding one if necessary - which ought to be more practicable as the docks have become less labour intensive. We may need to put the docks higher on the list of priorities for MISC 57 type work, and in due course the Cabinet Office will put forward proposals.

According to reliable sources the McCarthy tribunal is going to come down clearly in favour of flexible restoring on the railways. The report will definitely be available to the Parties this Friday; and behind a lot of unnecessary verbiage, it will say that flexible rostering is essential to the survival of the railways in the twentieth century. It will provide

/clear

CONFIDENTIAL

X
clear pointers to further negotiations between BR and ASLEF; on the maintenance of earnings, taken week by week rather than day by day, and on the proportion of rosters (McCarthy thinks they will be less than 25%) that will exceed an 8½ hour day; on both of these ASLEF will no doubt seek guarantees. And McCarthy will say that the rosters must be negotiated depot by depot, which the media may present as a fudge, but is in fact the only way to do it and what is already happening with NUR. McCarthy will also say that there is no question of the 39 hour week until flexible rosters are in place. The issue may thus become whether ASLEF will accept the tribunal's findings, rather than BR's reactions to them: and it is highly relevant that ASLEF's annual conference begins the week after next. We should see a period of intense negotiation between BR and ASLEF before then.

J.

5 May 1982

CONFIDENTIAL

c.c. Mr. Verèker



20
transport

10 DOWNING STREET

From the Private Secretary

4 May, 1982.

Rail Finances Review

The Prime Minister was grateful for your Secretary of State's minute of 27 April about the forthcoming review of railway finances.

The Prime Minister is content with the revised terms of reference appended to your Secretary of State's minute. She is also in general content with the draft statement attached to your Secretary of State's minute. She has, however, commented that the statement would be improved if it began with a reference to the establishment of a Review Committee, and put Sir David Serpell's appointment in second place.

I am sending copies of this letter to John Kerr (HM Treasury), Gerry Spence (CPRS), and David Wright (Cabinet Office).

M. G. SCHOLAR

5

Anthony Mayer, Esq.,
Department of Transport.

CONFIDENTIAL

CONFIDENTIAL



Prime Minister

(2)

~~cc JV~~

ms 4/5

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

30 April 1982

The Rt Hon David Howell MP
Secretary of State for Transport
Department of Transport

Dear David

ms

RAIL FINANCES REVIEW

Thank you for sending me a copy of your 27 April minute to the Prime Minister about the arrangements for the review and its revised terms of reference. TAM

I am quite content with the arrangements you have devised to help Sir David Serpell to carry out the review. The fact that outsiders of some consequence are also involved should reassure the public about the independence of the Review from either the Government or the Board.

I am also content with your draft statement and the revised terms of reference. However, on the latter, I assume that Sir David Serpell will see it as within his terms of reference to put forward a "base case" option in terms of the maximum improvement of business results within present policies and objectives, as was clearly envisaged by the earlier terms of reference. The Peat Marwick study should provide much of the material for this but it will no doubt need to be married with the work being done on the engineering side as well as any "business" comments from Leslie Bond. I do think it important to have this, if only as a means of improving the position in the short-term while any more radical changes are considered and implemented.

I am sending a copy of this to the Prime Minister and to Mr Sparrow and Sir Robert Armstrong.

[Handwritten signature]

GEOFFREY HOWE

CONFIDENTIAL

4 MAY 1982



CONFIDENTIAL

Prime Minister (1)
This reflects discussions JVol
have had with Alan Walters
cc Mr Walters and others.

MR SCHOLAR

Rail Finances Review

Yes Mr
Agree these conclusions?
MCS 29/4

Please see
(attached)

MCS

You asked for my comments on Mr. Howell's minute of 27 April to the Prime Minister. I have discussed it with the CPRS and with Alan Walters.

At first sight, it does seem a bit of a muddle to have two independent financial reviews being carried out on an organisation which ought to be able to do it itself, at the request of a Department which should have seen that it did. But I think it is right to separate short-term operating and efficiency issues from the long-term issues of railway policy, and that separation is now clearly reflected in the different terms of reference for the Butler study and the proposed Serpell enquiry.

As to the terms of reference for the latter, the latest version does seem an improvement, and retains what we regard as the essential point, which is that present railway policies and objectives should not be a constraint in trying to straighten out railway finances. The phrase "alternative policies, and their related objectives" is a bit odd, and might be improved by making it clear that we meant operating objectives.

As for the proposed enquiry team, you know of our original objections to the appointment of Sir David Serpell, not because any of us know him personally, but because as a former Permanent Secretary responsible for BR and as a member of BR board for the last eight years we thought it most unlikely he would be sufficiently objective. He might, in fact, be as much part of the problem as part of the solution. But given that the appointment has already been made, we think it important that the enquiry team should have a collegiate nature, acting as a committee rather than as a one-man tribunal with accompanying assessors. The references in the proposed draft statement to a Review Committee are therefore reassuring, but the Prime Minister may feel that the emphasis could be further improved by

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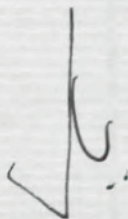
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-2-

making the opening of the announcement a reference to the establishment of a Review Committee, and putting Sir David Serpell's appointment, and those of his colleagues, in second place.

Finally, I think you should draw the Prime Minister's attention to Mr. Howell's proposal to announce that the Committee's conclusions will be available for publication, and will be followed by what will presumably be an open season of consultation with the BR board. It is rather likely that this review, if the team do their job properly, will come up with some very unpalatable conclusions indeed, in the form of a choice between substantial continuing financial losses, and extensive network closures. The Government can of course take some credit for facing up to these realities by having the report in the public domain, but publication of the report is bound to fuel speculation of some major change in policy towards BR, before Ministers have had a chance to decide collectively whether that is what they want.



29 April 1982

CONFIDENTIAL



CONFIDENTIAL

cc SV

wait for Policy Unit
advice

Prime Minister

RAIL FINANCES REVIEW

After putting in Peat Marwick, led by James Butler, to investigate the current year's financial position of British Rail, it was plainly necessary to move quickly to the full independent review. I am very grateful for your agreement and the Chancellor's that I should invite Sir David Serpell to take the chair of the review, and I am glad to say that - subject to settlement of all the detailed arrangements - he has agreed to do so.

There are detailed investigations to be made not only of the management of the industry's finances (which James Butler can do) but also of the whole engineering side of the business, which is important for its financial implications. I have invited Alfred Goldstein of Travers Morgan to take this on, and he, too, has accepted, I am glad to say.

Sir David himself is very anxious to have another member of this team, in the form of a businessman to whom he can turn for a view of the Board's market and their pricing policies.

Sir David has specifically asked that this team of three should be associated fully with him, as a corporate reviewing body, in the production of a report setting out the options from which, with my colleagues, I can in due course decide upon our prescription for the future of the railway.

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I hope to get Leslie Bond of Ranks to fill the businessman's slot; I will let you know the outcome as soon as possible.

We agreed terms of reference at an earlier stage, and you may want to look back at the rather detailed text on which we settled. A copy is enclosed.

You made a comment at the time that you wanted specific reference to objectives and policies to be included. I have had to consider how the terms of reference will look when we publish them against the background of the separate investigation on which I launched James Butler. I enclose the terms of reference of his operation, the results of which will be available to Sir David and his colleagues. In effect, it looks after the efficiency audit aspects, and the terms of reference for the review now need to turn the thinking to the future to show the way to improved financial results in an efficient system.

My Permanent Secretary has consulted his Treasury colleagues both about the terms of reference and about the form of a statement which I had planned to make as early as possible, and I enclose the draft which has resulted from these consultations. I understand that it would be acceptable to Sir David Serpell. He has paid particular attention to emphasis on his independence. He also wanted words used which would make it clear that he was not some kind of rebel from the Board.

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CONFIDENTIAL

I have also concerned myself with ensuring that the Board, particularly its full-time executive members, are left with no motivation to do anything other than co-operate fully. I think the draft achieves this.

I very much hope that you, and the Chancellor to whom I am sending a copy of this minute, can agree that the way is now clear for me to make this announcement as soon as possible.

I am sending a copy of this minute to Mr Sparrow and to Sir Robert Armstrong, as well as to the Chancellor.

DH.

DAVID HOWELL
27 April 1982

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TERMS OF REFERENCE FOR THE REVIEW OF RAILWAY FINANCES AGREED BETWEEN
MINISTERS AFTER CONSULTING BRB

To review the finances of the railway and associated operations in the light of the Board's statutory duties; the rising losses of the Board on its rail operations; the short and long term effects on the Board's financial position of the recent industrial dispute; the Board's concern about the adequacy of expenditure on renewal of the assets of the railway; and the Board's existing plans for improving business results; to identify other opportunities for improving business results and the measures necessary to secure them; and also to identify possible changes in objectives and policies that would help to secure improved financial results.

TERMS OF REFERENCE FOR MR P J BUTLER OF PEAT MARWICK MITCHELL AND CO

Following the Board's rising losses on their railway operations and the claim for grant in 1982, to examine the Board's rail budget for 1982 in the light of their performance in earlier years, their plans for improvement and the extent to which they were achieved; and to report what steps are open to the Board to make early improvements in the trading results by increased efficiency, cost reduction and improvements in financial control, whilst complying with the Public Service Obligation.

DRAFT STATEMENT ON REVIEW OF RAIL FINANCES

I am glad to announce that Sir David Serpell has accepted my invitation to chair an independent review of British Rail's finances. Sir David brings a unique combination of experience and insights to this task, after a life of public service in the Treasury and other Departments, including service as Permanent Secretary of the Ministry of Transport and the Department of the Environment from which he retired in 1972. Since 1974 he has served as part-time member of the British Railways Board. The Board have agreed that Sir David should be released to undertake the task from the necessary position of total independence. Accordingly Sir David has today resigned from his appointment as a member of the Board, which in the normal course would have extended to next September.

2. The other members of the Review Committee will be Mr P J Butler, a senior partner of Messrs Peat Marwick Mitchell & Co, who has already received a commission from me with regard to the 1982 Rail Budget which I announced on 31 March; Mr A Goldstein, senior partner of R Travers Morgan and Partners, Consulting Engineers; [and by --- see paragraph 5 of cover letter]

3. The terms of reference of the inquiry are -

"To examine the finances of the railway and associated operations, in the light of all relevant considerations, and to report on options for alternative policies, and their related objectives, designed to secure improved financial results in an efficiently run railway in Great Britain over the next twenty years."

4. I expect the conclusions which the Committee reach will illuminate the options which are open and so provide a firm foundation on which my colleagues and I can establish clear objectives and make justifiable financial provision for the future of the railway. I hope Sir David Serpell will be able to give me his Committee's report in five to six months' time.

5. My action in setting up this inquiry follows from a proposal which was first made by Sir Peter Parker and the British Railways Board last year. The Government's intention to establish such a review was confirmed in the White Paper (Cmnd 8494) on "The Government's Expenditure Plans, 1982-83 to 1984-85". As I intend to consult the Board upon the conclusions before seeking to arrive with my colleagues at decisions concerning the future of the railway, I shall regard the Committee's conclusions as available for publication and addressed not only to me but also to the Chairman of the Board, as being those of an independent inquiry on a matter of substantial public interest.

27 APR 1982

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12

CONFIDENTIAL

Transport

MR. SCHOLAR

cc Mr. Hoskyns
Mr. Walters

✓
PA

Review of British Rail Finance

Thank you for sending me a copy of your letter of 8 April to the Department of Transport indicating that the Prime Minister is content with Mr. Howell's recommendation that Sir David Serpell should be put in charge of the review of British Rail finances.

I found this decision a little surprising, and I should be glad to know of the circumstances that led up to it. As I recorded in my note of 2 April, Alan Walters, John Hoskyns and I were far from convinced that Sir David Serpell was a good choice. In particular, as a long-standing member of the BR Board, he would be insufficiently independent. I am virtually certain that this view was shared by the Treasury officials advising the Chancellor, and that their advice was sympathetically received by him. Has someone advised the Prime Minister to the contrary, and if so on what grounds?

I am sorry to burst into print about this: that has no more significance than that you and I are not overlapping in the office.

J.

14 April 1982

CONFIDENTIAL

CONFIDENTIAL

MCS G/40 9/2.

MR. PATTISON

cc: Mr. Hoskyns
Mr. Ingham
Miss Stephens

The British Rail Works Closures

I have had a word with the Department of Transport about their Private Secretary letter of 8 April. Caroline will wish to know that the report of the McCarthy tribunal on the ASLEF dispute has now slipped by yet another week, to the week beginning 26 April, so we no longer need time in the Prime Minister's diary to consider it in the week beginning 19 April (but we shall, of course, need it the following week).

In the light of that, I am quite sure it is right for British Rail to get this announcement out of the way this week. If the NUR is going to be upset, and it certainly will be when they hear about these closures, it is best that it should happen when we are not in the middle of post-McCarthy negotiations. And it goes without saying that we should not interfere with the decision itself, which is entirely consistent with the move towards greater efficiency and smaller losses which we have been urging on BR for some considerable time.

J.

14 April 1982

CONFIDENTIAL

Transport
CONFIDENTIAL

cc Mr Tugham.
✓ JV 2.



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Prime Minister.

This will cause a fuss. But
I am sure Mr Howell is right
that he should not intervene.

Michael Scholar Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

8 April 1982

MA 14/11

TOW A Mayer ✓
No letter nec. Agreed
ms
Ms 16/4

Dear Michael

BRITISH RAIL - WORKS CLOSURES

I am writing to let you know that British Rail will be making an important announcement next week about the future of British Rail Engineering Ltd (BREL) - the organisation which manufactures and maintains British Rail engines and rolling stock. They plan to tell their Unions on 15 April of the urgent need to cut back excess capacity in BREL and of their consequent decision to close in the next two years the works at Shildon near Bishop Auckland, at Horwich near Bolton (except for the foundry) and to halve the work that still remains at Swindon. These necessary measures will be extremely unwelcome to the NUR, who still represent a good part of the workforce in BREL, and who may threaten industrial action. There will be wider concern about the job losses.

The facts are that Horwich employs over two thousand; it is equal distance from Bolton (unemployment rate 15.3%) and Wigan (unemployment rate 18.2%). The Shildon works is the overwhelmingly dominant employer in the town, with some 2,600; the unemployment in Bishop Auckland is 15%. The Swindon rundown will about halve the 3,400 jobs at that works; the unemployment rate in Swindon is 10.6%.

It is of course for British Rail to decide what are the best ways to reduce their workshop capacity, and Mr Howell has not sought to influence their decisions.

I am sending copies of this to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Employment, Secretary of State for Industry, and the Secretary of State for Scotland, and to Sir Robert Armstrong.

Yours sincerely

Sean Bahar

PP R A J MAYER
Private Secretary

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DEPARTMENT OF TRANSPORT
1 MARSHALL STREET LONDON SW1P 3JF

APR 3 1982

9 11 8 10 3 4

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Mr. Vereker

10 DOWNING STREET

From the Private Secretary

8 April, 1982.

The Prime Minister was grateful for your Secretary of State's minute of 1 April about the Chairmanship of the wider review of railway finances and policies.

As I told you on the telephone, the Prime Minister is ready to go along with your Secretary of State's suggestion that Sir David Serpell should take charge of this review. You have subsequently told me that your Secretary of State has approached Sir David, who is considering whether he will take it on.

I am sending copies of this letter to John Kerr (HM Treasury), David Wright (Cabinet Office), and Gerry Spence (CPRS).

M. C. SCHOLAR

Anthony Mayer, Esq.,
Department of Transport.

CONFIDENTIAL

R



10 DOWNING STREET

2

Prime Minister

ms

British Rail Review Chairman

Mr Howell has persuaded the
Chancellor not to veto Sir David
Serpell.

He is, accordingly, offering Sir D
Serpell the job tomorrow.

MS 6/4



10 DOWNING STREET

(2)

Prime Minister

The Chancellor has very
great doubts about Sir D Serpell,
and is also being advised by officials
in this sense.

Given your own reluctance, I told
Mr Howell's office that your agreement
was subject to colleagues' agreement.

For the time being, therefore, the matter
is stalled.

ms

MCS 2/4

Prime Minister

Prime Minister

REVIEW OF BRITISH RAIL FINANCES

Recklessly
Man I don't know
Should lead the review on the
basis envisaged by N Howell?
What he has found the
relevant reason.
ms

JPH
1.11.82

My announcement yesterday of the commission to Mr Butler of Peat Marwick Mitchell to make a report on British Rail's trading position has I think been well received generally - apart from what I have to say below about the Board. It will certainly give us a lot of what we need to know. But it will not by any means cover all the ground that we have envisaged for the wider review of railway finances and policies. It was unfortunately clear from the discussion with Sir David Orr that he was most unlikely to feel able to take on this wider review, as we had hoped, and I was therefore in no position to give Sir Peter Parker and his Board any assurance about when that review could get under way. They attach great importance to that, as we do, as a means of getting to the sort of clearer objectives which the CPRS has proposed.

The consequence with which we now have to deal is that the full-time members of the Railways Board in particular feel that their standing at the head of the industry has been seriously prejudiced by the announcement of the commission to Mr Butler; and Sir Peter Parker himself feels his position much weakened. We therefore now face the prospect that the Board will be in serious disarray as they enter the next and very crucial stage of their industrial relations problems. I therefore need to move very promptly now to restore the Board's position and resolve. The way to do this is by launching the wider review which we have now for some time envisaged.


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I had very much hoped to secure a leading businessman. But the search has so far proved very time consuming and fruitless, and I think we must now turn to other possibilities.

The proposal I now make is designed to secure a review fully of the quality that we should want, while at the same time re-establishing the position of Sir Peter Parker and his Board. It is that I should ask Sir David Serpell to take charge of the review. As a former Permanent Secretary with a particular reputation for toughness he understands the Government position, both generally and in relation to the railways, from many years here. As a part-time member for some years of the Railways Board - from which he would need to withdraw - he commands their confidence, but no-one who knew him could imagine that he would give them an easy ride. And I think it helps that, while still in full vigour, he could not at 70 be a candidate to succeed Sir Peter Parker. I have good confidence that he will respond to the challenge. I envisage that he would need specialist help from Mr Butler, and also on the engineering side from someone such as Mr Goldstein, on the business plan and forecast side from someone such as Mr Christopher Foster; there might also need to be special work on Board and management structures, and on industrial relations. I envisage as previously that he would be assisted by a group of senior officials, from the Treasury, the CPRS and my Department, and some full-time members of the Board. This should provide complete insurance against risk of bias in the inquiry.

This work would go as far as establishing what are the roots of the difficulties with this industry and what actions are practicable for management in overcoming them. The choice of the prescription to which we shall tie the railway in future will

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be for us. But if we judge that we would be helped towards our decision by the advice of an eminent businessman (or more than one), we could arrange that the results of Sir David's operations are submitted for such a further process. I would intend that this whole procedure would be completed in five months, starting now.

I hope I may have your agreement to proceed accordingly. I am sure that if we are to steady the ~~position~~ position, we must act very quickly, so that I can make an announcement before Easter. I see no workable alternative. We would run grave risks if we were not able to do this before the Board start to deal with Lord McCarthy's report.

I am sending copies of this to the Chancellor of the Exchequer, to Sir Robert Armstrong and to Mr Sparrow at the CPRS.

JH
2

DAVID HOWELL

1 April 1982

CONFIDENTIAL



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APR 1982

CONFIDENTIAL



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Transmit

10 DOWNING STREET

From the Private Secretary

31 March, 1982.

Dear Anthony,

British Rail

Thank you for your letter of 29 March about the British Rail grant for passenger services in 1982.

The Prime Minister is content with the draft statement (which she thinks might best be issued as a Written Answer), subject to it being clarified that the level of grant now settled accords with the decision announced on 4 March that the loss caused by the ASLEF dispute should not be met at the taxpayers expense, and that any excess on the 1981/82 EFL will be offset against the limit for 1982/83. The Prime Minister also suggested that a reference should be included in the Peat Marwick terms of reference to the need for accelerated disposals of assets in order to meet the Board's higher current costs. You have explained to me that the proceeds from disposals affect the Board's EFL, but not its trading position. There was also a risk that BRB might use the involvement of Peat Marwick in the disposals issue as a reason for delaying further progress in the matter. You have accordingly included the reference to accelerated disposals elsewhere in the Written Answer.

I am sending copies of this letter to John Kerr (HM Treasury), Terry Mathews (Chief Secretary's Office), David Heyhoe (Lord President's Office), Murdo Maclean (Chief Whip's Office), and David Wright (Cabinet Office).

Yours sincerely,

Michael Scholar

R.A.J. Mayer, Esq.,
Department of Transport.

CONFIDENTIAL

LB

SECRET

24
K. Jv.



mo

Prime Minister

(2)

The conclusion is that steel and chemicals would not be crippled by a 4-8 week shutdown. I will put in one year weekend box.

PRIME MINISTER

MISC 72 - BRITISH RAIL - ASLEF DISPUTE

MCS 31/3

At your meeting on 15 March the Civil Contingencies Unit were instructed to investigate further the impact of a possible rail strike on the steel and chemical industries and on oil supplies.

I attach a report which has been prepared under Civil Contingencies Unit auspices by a group of officials from the Departments of Industry and Energy. It has not been circulated to any other members of the Unit. Advice was obtained in the strictest confidence from the industries concerned.

Inevitably in an investigation of this kind many areas of doubt remain, but as the last paragraph of the note explains, it will be impracticable to go further without a much greater degree of consultation with the industries concerned and consequently much greater risk of the reasons for our interest in these matters at this time leaking out.

I am copying this note and the report to the Chancellor of the Exchequer, the Secretaries of State for Energy, Industry, Transport, Defence, Scotland and Employment and to Sir Robert Armstrong and Mr. Ibbs.

Wolk

30

March 1982

SECRET

SECRET

POSSIBLE IMPACT OF A RAIL STRIKE ON THE IRON AND STEEL AND CHEMICAL INDUSTRIES
AND OIL SUPPLIES

A Note by a group of Officials

INTRODUCTION

1. At a meeting on Monday 15 March Ministers directed that the Civil Contingencies Unit should arrange for the impact of a possible rail strike on the steel and chemical industries and on oil supplies to be investigated further. Following discreet consultations with the industries concerned the following paragraphs show what the effects are assessed as likely to be.

IRON AND STEEL INDUSTRY

2. In the event of an all-out rail strike the British Steel Corporation (BSC) intend to undertake a progressive shut down of their plants. This would mean production being halved within one week and ceasing completely after four weeks. The reason for this move is that the major iron and steel works are designed to be fed by rail and it would be impracticable to deliver by road the volume of material needed to sustain production. Once rail services are resumed some steel making and processing will recover quickly as will deliveries of steel already in process. At the major plants it would take at least four weeks to achieve balanced full production. Depending on the length of the shutdown it is also likely to take some time to regain the lost UK market share.

3. It is believed, in the light of experience during the earlier ASLEF action, that private sector plants, which account for 25 per cent of United Kingdom deliveries would be affected much less than BSC if indeed they are affected at all. Their basic raw materials are substantially different to those used by BSC; their scale of operation gives them more flexibility and thus the ability to operate without rail transport. Stocks of semi-manufactures at the private sector re-rolling companies, normally heavily dependent on BSC, are sufficient to sustain near normal production for about four weeks. All this means that the whole of the private sector would be likely to continue with minimum disruption for several weeks.

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SECRET

4. Stocks of iron and steel for manufacturing industry stood at 15 weeks at the end of December 1981 and it is believed that the recent ASLEF action did not lead to any significant decrease in that level, thus cushioning manufacturing industry against the direct effects of a rail strike leading to a BSC shutdown. Imports, which account for 25 per cent of United Kingdom steel consumption, and which are mostly handled by road, should still be available and would doubtless increase during the period of any shutdown at BSC.

THE CHEMICAL INDUSTRY

5. Details of the outcome of enquiries in the chemical industry are at Annex A. It seems that an important area of concern is the supply of industrial gases from the British Oxygen Company (BOC) 55 per cent of which travel by rail. There would appear to be a limit on the extent to which suitable specialised road transport could take over from rail delivery. Some customers require daily delivery and stocks held by other users are thought to vary between 3-10 days. Overall it is estimated that the effect of reduced industrial gas supplies, resulting from a complete stoppage of rail delivery, would be felt by industry within about 2 weeks and would be widespread and marked after 4 weeks, though it would vary between regions.

6. Although problems are foreseen in other branches of the chemical industry there is a good chance of alternative supply arrangements mitigating the effects to such an extent that suppliers and their customers would "get by" without serious disruption for 3 weeks - some for longer.

OIL SUPPLIES

7. The Oil Industries' Emergency Committee (OIEC) have been consulted. The information (details in Annex B) provided in confidence by the 14 member companies of the OIEC (who have 95 per cent of the UK market) shows the likely effect on individual oil companies and their customers. The position may be summarised as follows:-

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SECRET

a. 10-15 per cent of oil products are moved from refineries by British Rail, with 30 out of about 160 main oil distribution terminals dependent on rail supply. There are some 90 major consumers, mostly industrial (notably BSC and ICI) and including some power stations and airports which are normally supplied by rail alone. In view of BSC's contingency plans disruption of their oil supplies is unlikely to be significant but for ICI such action could add to the other problems created by a rail strike. Other industries vulnerable to a major interruption of fuel oil supplies are clothing and textiles and pottery and glass.

b. The rail-fed consumers are by nature large consumers of heavy fuel oil and the volume they require could not be sustained by the road vehicle fleet. The three largest oil suppliers (Esso, Shell and BP, with 60 per cent of the market) expect that the majority of their rail-fed customers would experience oil shortages affecting production within 2-3 weeks of the beginning of an all-out stoppage. Some would be in trouble earlier than this. Other suppliers are less dependent on rail but their customers would experience similar difficulties in a number of places. It is not possible to be more precise about the effect on levels of production - they would be related to the amounts of oil that could be delivered by road.

c. In the event of a rail strike the areas mainly affected would be Thames Valley, Cumbria, the Midlands, and South Yorkshire. The oil industry would try to find alternative ways of keeping their rail-fed oil terminals functioning, albeit at reduced level, and for resupplying affected areas by making longer road journeys. A big increase is expected in demand for motor fuels, from both the private motorist and industry coping with the effects of a rail strike. This will affect the industry's ability to "stretch" road distribution.

d. Some oil companies will try and anticipate these difficulties by building up stocks at their distribution terminals, but others would be reluctant to do so due to the additional expense involved.

SECRET

SECRET

e. In order to avoid the risk of legal action the oil companies would need Government direction if they were to allocate supplies to rail-fed customers at the expense of other consumers. Energy Act powers would be required in these circumstances.

CONCLUSION

8. Although there will be some difficulties resulting from a complete shutdown of the railway system it would seem that none of those revealed by recent discussion with the industries concerned should prove crippling during a shutdown lasting 4-8 weeks. However some customers will be hard hit well within this period and there are likely to be pressures on the Government to take measures to mitigate these effects. An important area of concern appears to be interruption of the supply of industrial gases.

9. No account has been taken in this study of concurrent sympathetic industrial action by other unions. Concurrent action by, for example, petrol tanker and road haulage drivers and dock workers would present a completely different and more serious situation. The prospects of such action are at present assessed as unlikely.

10. The main difficulty in making an assessment of this kind is the lack of previous experience of a complete rail shutdown - there has not been one since 1926. Then the chemical and oil industries were not as large, complex or essential to the life of the nation as they are today. Nor at that time did the majority of freight travel by road. So the assessments made are the best guesses possible and it has not been possible to investigate the "knock on" effect in any detail. Further studies would involve a degree of consultation with the industries concerned that might on security grounds be considered inadvisable, at this stage.

SECRET

SECRET

ANNEX A to a note
by Officials

SUMMARY OF EFFECTS OF A COMPLETE RAIL SHUTDOWN ON THE CHEMICAL INDUSTRY

1. BOC

BOC move liquid argon, nitrogen and oxygen by train. About 55 per cent of their supplies of these liquid gases travel by rail. BOC hold some stocks and stocks held by customers probably vary between 3 and 10 days. Some customers, however, require daily delivery. In the event of a complete rail stoppage, alternative road transport could be made available to a limited extent, but the effect of reduced supplies would be felt by industry within about 2 weeks and would be widespread and marked after 4 weeks. The engineering and food industries would be affected first, though the effect on the latter would be mainly at the luxury end of the business. BOC could increase production, albeit at considerable cost, of the gases in some areas, eg South Wales and North East England, which would help to mitigate the effects of a stoppage, but some other areas, particularly London, would be likely to feel the pinch more. Major steel and chemical works would not be affected since they are supplied by pipeline.

2. ICI

ICI move a minority of their products by rail and assess that the limited flexibility available to them for alternative arrangements (road, sea, swap deals) would enable them and their customers to avoid serious disruption for two and probably three weeks. Supplies would however be at a reduced rate and the effect of this would be cumulative. The chemicals concerned are ammonia, methanol, carbon dioxide, hydrogen cyanide and chlorine. Public health requirements would not be affected, because chlorine for water treatment is supplied in cylinders, which are filled at the manufacturing plant and transported by road.

3. BP Chemicals

Like ICI, BP move a minority of their chemicals by rail (ammonia, which one of their plants requires as a raw material), hydrogen, cyanide, caustic soda and acetic acid. They estimate that, using alternative transport arrangements, they could get by for 2-3 weeks without serious disruption for themselves or their customers. They might have to flare the hydrogen cyanide, which would be expensive.

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Fisons

Fisons use rail transport for ammonia, a major raw material for their fertiliser production. Alternative road transport would be possible, but would be limited by the availability of specialised tankers. About half Fisons' ammonia, however, comes from ICI's plant next door and so production of fertilisers could continue to some extent. The effect of reduced supplies of ammonia would be mitigated by the fact that the peak selling time for fertilisers for spring use would be past.

5. ISC

This company transport hydrofluoric acid and sulphuric acid by rail. Alternative arrangements could probably be made for road transport, but there would be pressure on the availability of specialist tankers.

6. Associated Octel

This company is the sole manufacturer of lead additives for petrol. They rely on rail transport for the movement of chlorine between their Anglesey and Cheshire plants. They were just able to tolerate the 3-day a week strike by ASLEF, but would probably have much more difficulty if there were a complete stoppage. It is possible, however, that they could get chlorine from ICI whose plant is nearby in Cheshire. This would presumably mean that production of chlorine would stop in Anglesey.

Cabinet Office
30 March 1982

SECRET

I	II	III	IV	V																																																																																																
COMPANY	Q.1 ARE YOU TAKING STEPS TO MAINTAIN STOCKS AT A HIGH LEVEL?	Q.2 LIST OF COMPANY TERMINALS WITH ESTIMATED RUN OUT TIMES (DAYS) IF NO FORM OF RE-SUPPLY BY ANY MEANS IS POSSIBLE STATING PRODUCTS AFFECTED	Q.3 LIST ANY DIRECT RAIL-FED CUSTOMERS WITH AN ESTIMATE OF THEIR RUN OUT TIME (DAYS) AND THE PRODUCTS CONCERNED, IF NO PRACTICAL OTHER MEANS OF SUPPLY ARE AVAILABLE	Q.4 HOW WOULD YOU ALLOCATE SUPPLIES/ GENERAL COMMENTS/NOTES?																																																																																																
BP	Yes	<table border="1"> <thead> <tr> <th>Terminal</th> <th>PMS</th> <th>RMS</th> <th>PGK</th> <th>SGK</th> <th>GORV</th> <th>GOCI</th> <th>LFO</th> <th>MFO</th> <th>HFO</th> </tr> </thead> <tbody> <tr> <td>Sheffield</td> <td>8</td> <td>17</td> <td>-</td> <td>32</td> <td>4</td> <td>7</td> <td>11</td> <td>34</td> <td>14</td> </tr> <tr> <td>Thame</td> <td>7</td> <td>10</td> <td>-</td> <td>-</td> <td>11</td> <td>12</td> <td>96</td> <td>30</td> <td>53</td> </tr> <tr> <td>Dalston</td> <td>5</td> <td>7</td> <td>26</td> <td>7</td> <td>6</td> <td>11</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Whittington</td> <td>7</td> <td>19</td> <td>-</td> <td>-</td> <td>17</td> <td>29</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	Terminal	PMS	RMS	PGK	SGK	GORV	GOCI	LFO	MFO	HFO	Sheffield	8	17	-	32	4	7	11	34	14	Thame	7	10	-	-	11	12	96	30	53	Dalston	5	7	26	7	6	11	-	-	-	Whittington	7	19	-	-	17	29	-	-	-	<p>(i) Airports</p> <table border="1"> <thead> <tr> <th></th> <th>ATK</th> </tr> </thead> <tbody> <tr> <td>Gatwick</td> <td>12 (All COS 10)</td> </tr> <tr> <td>Glasgow</td> <td>18</td> </tr> <tr> <td>Prestwick</td> <td>68</td> </tr> <tr> <td>Stansted</td> <td>10</td> </tr> </tbody> </table> <p>(ii) Authorised Distributors</p> <table border="1"> <thead> <tr> <th></th> <th>PGK</th> <th>SGK</th> <th>GOCI</th> </tr> </thead> <tbody> <tr> <td>Average stocks</td> <td>30</td> <td>16</td> <td>12</td> </tr> </tbody> </table> <p>(iii) Direct customers</p> <table border="1"> <tbody> <tr> <td>RAF Leuchars</td> <td>8 ATK (a)</td> </tr> <tr> <td>CEGB Aberthaw</td> <td>20 MFO/HFO</td> </tr> <tr> <td>CEGB Didcot</td> <td>10 MFO</td> </tr> <tr> <td>CEGB Richborough</td> <td>NK (b)</td> </tr> <tr> <td>CEGB Taylors Lane</td> <td>NK (c)</td> </tr> <tr> <td>BSC Glengamock</td> <td>20 HF2%</td> </tr> <tr> <td>BSC Llanwern</td> <td>16 HF2%</td> </tr> <tr> <td>BSC Ravenscraig</td> <td>10 HF2% (d)</td> </tr> <tr> <td>Reeds Aylesford</td> <td>18 HFO</td> </tr> <tr> <td>Reeds Thatcham</td> <td>7 HFO</td> </tr> <tr> <td>ICI Ardeer</td> <td>10 HFO</td> </tr> <tr> <td>ICI Dumfries</td> <td>14 HFO</td> </tr> </tbody> </table> <p>(iv) Land crude production (rail to Llandarcy)</p> <table border="1"> <tbody> <tr> <td>Wytech Farm, Dorset</td> <td>7 days storage</td> </tr> <tr> <td>East Midlands</td> <td>7 days storage</td> </tr> </tbody> </table>		ATK	Gatwick	12 (All COS 10)	Glasgow	18	Prestwick	68	Stansted	10		PGK	SGK	GOCI	Average stocks	30	16	12	RAF Leuchars	8 ATK (a)	CEGB Aberthaw	20 MFO/HFO	CEGB Didcot	10 MFO	CEGB Richborough	NK (b)	CEGB Taylors Lane	NK (c)	BSC Glengamock	20 HF2%	BSC Llanwern	16 HF2%	BSC Ravenscraig	10 HF2% (d)	Reeds Aylesford	18 HFO	Reeds Thatcham	7 HFO	ICI Ardeer	10 HFO	ICI Dumfries	14 HFO	Wytech Farm, Dorset	7 days storage	East Midlands	7 days storage	<p>Believe that BP can maintain supplies for 7-10 days. Thereafter it may become necessary to distinguish between groups of buyers and at that stage it would be necessary to operate under such Orders as the Government may make.</p> <p>(a) Other reserves may be available</p> <p>(b) Usually sea-fed</p> <p>(c) Peakload only</p> <p>(d) Also access to road fed storage</p>
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Burmah	Not Answered	As under 10% of supplies of bulk products are obtained from rail-fed terminals, customers would not be adversely affected by a rail strike, on the assumption that refinery, sea and pipeline terminals are not picketed	Do not supply any customers by rail	See Q.2																																																																																																
Chevron	Yes	<p>Terminal</p> <p>Kingsbury (a) 20-30 FO (b)</p>	Have no customers wholly dependent upon rail	<p>Not Answered.</p> <p>(a) Managed by Conoco</p> <p>(b) Clean products partly supplied by rail, but anticipate with co-operation of all WOSL partners could maintain supplies by pipeline.</p>																																																																																																

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4. Esso	Yes	<p><u>Terminal (a)</u></p> <p>Northampton 6 mogas, kero, gasoil Tiverton 6 " , " , " , avtur Carlisle (X) 6 " , " , " , Shrewsbury 6 kero, gasoil Nottingham (X) 6, FO Tunstall (X) 5/6 LPG Purfleet 5 Bitumen Plymouth (X) 10 " Bowling (X) 14 Lubes</p>	<p>i <u>Airports (a) Avtur</u></p> <p>Prestwick (X) 15+ Gatwick (X) 6</p> <p>ii <u>Authorized Distributors (a)</u></p> <p>Oxford 6 mogas, gasoil Cambridge (X) 6 kero, " Reading 6 " , " , mogas Ayr 6 " , " , "</p> <p>iii <u>Direct Customers</u></p> <p>Rolls Royce, Derby (b) Avtur CEGB Drakelow (b) LFO " Uskmouth (b) MFO ICI Dumfries (b) HFO " Steventon (b) HFO Reeds Thatcham (b) HFO (c) Wiggins Hereford (b) HFO/LPG Inco, Clydach (b) LPG</p>	<p>Equal hardship represents typically acceptable basis for allocation. In event of dispute occurring company would endeavour to distribute product on this basis seeking whenever possible to agree reductions in supplies with those customers known to have high stocks or alternative suppliers.</p> <p>While we are able to give information, legal constraint in the absence of formal Government powers mean we must avoid being party to any common industry approach to, or exchange of information of priorities</p> <p>(a) Estimated ability to pick up from alternative sources with own vehicles could be 25% of normal requirements. Some company assistance could improve this picture except in those locations denoted by X.</p> <p>(b) Customers stock levels not normally advised but generally better than company locations. Hence judge unlikely that run-outs will occur within 10-12 days.</p> <p>(c) Shared with road.</p>
Texaco	Not answered	Texaco has only one terminal which could be affected by a prolonged rail strike but supplies to customers could be maintained from alternative pipeline or sea-fed locations.	Texaco has no direct rail-fed customers.	Not answered

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6. Murco	Yes	<table border="1"> <thead> <tr> <th>Terminal</th> <th>Mogas</th> <th>Derv/Gasoil</th> <th>Kero</th> </tr> </thead> <tbody> <tr> <td>Theale</td> <td>9</td> <td>10</td> <td>7</td> </tr> <tr> <td>Bedworth</td> <td>3</td> <td>4</td> <td>6</td> </tr> </tbody> </table>	Terminal	Mogas	Derv/Gasoil	Kero	Theale	9	10	7	Bedworth	3	4	6	No direct customers	Theale and Bedworth will become inoperative in the event of rail strike. Murco will need assistance from other companies in the form of short term exchanges, and we would be glad to know whether any provision for this is under consideration.																																																								
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12. Petrofina	Stocks at operating level only	<table border="0"> <thead> <tr> <th><u>Terminal</u></th> <th><u>FO</u></th> <th><u>White Oil</u></th> </tr> </thead> <tbody> <tr> <td>Kingsbury</td> <td>30</td> <td>-</td> </tr> <tr> <td>Preston</td> <td>10</td> <td>4/5</td> </tr> <tr> <td>Nottingham</td> <td>-</td> <td>3</td> </tr> </tbody> </table>	<u>Terminal</u>	<u>FO</u>	<u>White Oil</u>	Kingsbury	30	-	Preston	10	4/5	Nottingham	-	3	<u>Direct customers</u> CEGB (but only flame stabilisation) Reeds, Darwen - could road-feed	Would need OIEC control/guidance on allocation after 14 days.
<u>Terminal</u>	<u>FO</u>	<u>White Oil</u>														
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14. Shell	Not until rail strike is (almost) inevitable. Cost of stocking. Stocks at operating level only.	Depends on whether drivers would road deliver; if not, terminals would run out in, on average, 5-7 days; if they will, last for 14-21 days.	Possible upsurge in orders (and stocks) following press coverage of possible rail strike. Stocks last 5-7 days without closing "villages"; 14-21 days when closed. Big industrial consumers would be the real problem.	Best endeavours to allocate priorities but guidance from HMG necessary												

31 MAR 1982



10


 Prime Minister (2)

ck sv
CONFIDENTIAL

John Vereker's note (Flag A)

shows that BR are mainly planning

Prime Minister

non-flexible rostering post 17 May.
immediate
No action on this report - which I
will put in the weekend box. Done

BRITISH RAIL - ASLEF DISPUTE

M/S 31/3

The report from the Railway Staffs National Tribunal under Lord McCarthy on flexible rostering will probably not now be available until the week beginning 19 April. We should hopefully have available a few days after that the British Railway Board's proposals for handling the RSNT findings. Meanwhile, you may welcome this short progress report.

Your Private Secretary's letter of 16 March suggested that the process of introducing new flexible rosters for drivers should be begun as soon as possible. My officials have encouraged the Board to be ready to implement for drivers as many of the new rosters as possible when the new timetable comes into operation on 17 May. The Board expect to have flexible rosters ready for at least 15 - 20 (out of 269) drivers' depots by 17 May. That should be enough to bring the issue to a head; and flexible rosters for the remaining depots will be ready for imposition if necessary, by the beginning of June. When I see Sir Peter Parker tomorrow, I will urge him to see whether flexible rosters could be prepared for more drivers' depots by 17 May.

I will also emphasise again that the Board should take no precipitate action on the RSNT report but should consult Ministers on their proposed course of action.

The delay in the publication of the RSNT report means that it will not be possible to divorce the issue of flexible rostering entirely from the 1982 pay round. The Board will not respond to the unions' claims until after the report is available. We will probably need to consider how the Board are proposing to

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handle this at the same time as we discuss the RSNT findings. I will ask the Board to let us have their latest views on the pay round at the same time as they consult us on their proposed course of action on flexible rostering.

Another problem that we may have to take account of in our deliberations is the single-manning of trains on the newly electrified Bedford-St Pancras line. The new trains are designed to be operated by a driver only. The NUR is insisting on guards on these trains, thus delaying their introduction. This issue may worsen BR's relations with NUR at a difficult time.

I am attaching a further paper by the Official Committee on Railway Policy, which describes the latest position, particularly on the implementation of flexible rosters, in more detail.

I am copying this minute to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Energy, Industry, Defence, Scotland and Employment and to Sir Robert Armstrong and Mr Sparrow.

RAF Mayer

P.P. DAVID HOWELL

30 March 1982

(Approved by the Secretary of State
and signed in his absence)

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BRITISH RAIL - ASLEF DISPUTE

Report by the Official Committee on Railway Policy

Latest Position

1. The RSNT report on British Rail's proposals on flexible rostering is not now expected until the week beginning 13 April at the earliest. It is likely that it will not be available until the week beginning 19 April, or possibly the following week. Despite Press reports about Lord McCarthy finding it difficult to understand the proposals, BR are still hopeful that he will find in favour of arrangements close enough to those already agreed with the NUR to be acceptable to the Board and the NUR.

Following the RSNT Findings

2. Since the RSNT findings will be non-binding, there is bound to be a period in which the parties (Board and unions) make up their minds what course to pursue. The Board's response is bound to be conditioned by ASLEF's. If the RSNT findings are substantially in the Board's favour and ASLEF do not reject them out of hand but show a willingness to discuss them seriously, the Board will probably allow some time for negotiations. This would allow pressure to be applied on ASLEF by the TUC and other unions. It would also allow ASLEF time to persuade their members that a change in policy is required. ASLEF might wish to take the issue to their annual conference in mid-May. If, however, ASLEF remain totally intransigent about moving from a minimum payment of 8 hours a day, then the Board may wish to make an early statement which will force the issue.

3. Other industrial relations considerations that will influence the Board's decision are:-

- i. the new annual timetable is introduced on 17 May. They would wish to introduce as many new flexible rosters as possible for drivers at that time. New timetables often lead to some industrial action irrespective of other changes.
- ii. the pay round. Although the unions are not pressing for a response to their claims for substantial increases, they can be expected to do so soon.
- iii. the progress or, in some instances, lack of progress on other productivity items. In particular, the introduction of one-man operation on Bedford - St Pancras services could lead to a confrontation with the NUR.

BR's readiness to impose flexible rosters for drivers

4. BR will not be able to prepare and dispatch 'flexible' diagrams

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to all drivers' depots for conversion into rosters until about the end of May. If ASLEF were accepting flexible rostering, it could take some further time for all flexible rosters to be implemented. At a large depot it can take the depot manager 4-6 weeks to draw up rosters in consultation with staff. However, if ASLEF were not accepting flexible rostering, and the rosters had to be imposed, it would take a depot manager only 2-3 days to convert the diagrams into rosters. (Annex A explains how rosters are normally drawn up, and why flexible rosters for all drivers' depots cannot be ready before the end of May.)

5. It had been BR's intention not to seek to impose flexible rosters until all the new rosters were available, but in view of Ministers' decision (recorded in Mr Scholar's letter of 16 March to Mr Mayer) that the process of introducing new flexible rosters should begin as soon as possible after an RSNT decision, the Department of Transport have discussed possible changes in tactics with the Board.

6. An important constraint is the introduction of the new annual timetable on 17 May. The Board will be preparing new flexible rosters based on the new timetable. They would not wish to divert train planning resources from that task to preparing rosters that could be worked for only a few days. On 19 March the Board was still saying that they could have flexible rosters ready by 17 May for only about 15 out of the 269 drivers' depots. However, they now estimate that new flexible rosters could be ready for imposition on 17 May at a larger number of depots.

7. It is recommended that, in the event of the Board deciding to impose flexible rosters for drivers, they should be encouraged to make an early statement of their intention to do so in as many depots as possible from 17 May, and as soon as possible thereafter in the remaining depots. It is for consideration whether this view should be immediately conveyed to the Board as the considered view of Ministers.

Department of Transport

26 March 1982

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ANNEX A

IMPLEMENTATION OF FLEXIBLE ROSTERING

Preparation of rosters for staff is essentially a two-stage process. First, train services (eg the 8.00 from Euston to Manchester) are 'diagrammed', ie a locomotive and coaching stock is assigned to the service, and the staffing of the train ('a turn') is allocated to particular drivers' and guards' depots. This 'diagramming' is a highly specialised job, and is done by the 75 train planning officers at the 5 Regional Headquarters. These diagrams are sent to depots where 'rosters' are drawn up for individual staff by the depot manager in consultation with the staff. This normally takes 2-3 weeks from the diagrams being received at a depot; but it can take 4-6 weeks at large depots.

2. Early May is the normal date for the annual major timetable change, and in the first months of the year the train planning officers are usually planning new diagrams to fit the new timetable. But at the beginning of January this year the Board were faced with a difficult choice. They had just secured an agreement on flexible rostering with the NUR, whilst ASLEF were bitterly opposing its introduction. The Board decided to concentrate their train planning resources on the preparation of flexible rosters for guards (based on the old timetable) in the hope that the earliest possible working of flexible rostering by guards would be an important step in persuading ASLEF members of the benefits that flexible rostering would bring. The preparation of new 'flexible' diagrams for guards was completed in January and February. These diagrams have been put to guards' depots as they have been completed. Over 70% of guards' depots (total 305) have now agreed the new flexible rosters, and over 50% are now working them.

3. When it came to devising new diagrams for drivers, the Board felt it necessary to take the fail-safe decision that they must preserve their ability to run the new May timetable (to be introduced on 17 May this year). They decided in January, therefore, that 'non-flexible' diagrams would have to be prepared for drivers. Their preparation should be completed by end-March or the beginning of April. As they become available, they are

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being put to drivers' depots.

4. Train planning resources are now concentrated on:-
 - i. completing 'non-flexible' diagrams for drivers based on the new May timetable
 - ii. preparing new 'flexible' diagrams for guards to work the new May timetable.

Only when these tasks are completed will resources be available for preparing flexible rosters for drivers based on the May timetable. It will not be possible, therefore, to commence preparing the new diagrams for dispatch to all 269 drivers' depots until about the last week in April. Until then the train planning staff will be occupied with queries and revisions arising from depot examination of the diagrams already dispatched.

5. On this basis flexible diagrams should be available for all drivers' depots by end-May. It normally takes 4-6 weeks at a large depot for rosters to be prepared and agreed. With reasonable co-operation from ASLEF members, therefore, all the new rosters could be operated from 4 July. But if ASLEF are not accepting flexible rostering, the Board would be in a position to impose flexible rosters at the beginning of June. It takes a depot manager no more than 2-3 days to convert the diagrams into rosters if he does not have to consult the staff.

6. The Board advised the Department as recently as 19 March that flexible diagrams would be available at only about 10-15 drivers' depots by 17 May. However, if some train planning resources are diverted to their production, rather than checking queries on the new May diagrams now being prepared (see para 4), as soon as the RSNT findings are known, then it should be possible to have flexible diagrams available at a few more drivers' depots by 17 May.

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c. Mr. Hoskyns
Mr. Ingham
Mr. Wolfson
Ms. Stephens

A

MR. SCHOLAR

BR/ASLEF DISPUTE

The Prime Minister, and the others in the office concerned with the BR/ASLEF dispute, may like to know how it looks like developing.

McCarthy returns from Venice on 13 April. The earliest date for the receipt of the Tribunal's Report is 16 April. It is more likely to arrive in the week beginning 19 April. Caroline may like to know of the requirement for at least one meeting of Ministers later that week, but we should not organise it yet. We do not know what the Tribunal will say, because the Report has not yet been written: Press reports at the weekend and today are attempts by one side or the other to influence the outcome.

The Prime Minister will recall her concern at her meeting on 16 March at the assessment by Mr. Howell that BR would probably not try to introduce flexible rostering until the end of May, and possibly substantially later. The Department of Transport have now had further discussions with the BR Board, and two important new factors have emerged:

- (i) BR is introducing the new annual timetable on 17 May. That involves drawing up new train diagrams, and consequential new rosters, anyway.
- (ii) Because they feared finding themselves with no workable diagrams or rosters on 17 May, BR have put all their planning resources into preparing diagrams and rosters on a "non-flexible" basis. Until recently BR were saying that they could have flexible rosters ready by 17 May for only about 15 out of 269 drivers' depots. They may now be able to double that amount, having been told by Mr. Howell that we do not want to delay the issue.

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The effect of these new factors is clear. First, whatever McCarthy says, matters will come to a head on 17 May: assuming that BR does not cave in completely, some flexible rosters will then be imposed, and even a few will be sufficient to raise the principle of their acceptability to ASLEF. But, second, the word will be getting around that BR also have available non-flexible rosters for the whole of the train system, and BR will have to work hard to convince drivers that they are not planning to go ahead with the status quo.

The Home Secretary and Mr. Lawson will be reporting to their colleagues before long on the basis of the remits from the Prime Minister's meeting on 16 March. Meanwhile the Department of Transport are satisfied that BR are proceeding as fast as they reasonably can with the preparation of flexible rosters, and that they have no intention of making a pay offer in the new pay round until after they have received the McCarthy report. The only issue likely to arise for Ministers before the McCarthy Report is whether and if so when the Board should be encouraged to make it clear that they are engaged upon the preparation of flexible rosters as well.

J.

29 March 1982

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Prime Minister (2)

Mus 30/3

Michael Scholar Esq
Private Secretary
Prime Minister's Office
10 Downing Street
LONDON SW1

29 March 1982

Dear Michael

COAL AND THE RAILWAYS

Your letter of 16 March about the Prime Minister's meeting the previous day records that my Secretary of State was asked to consider urgently whether there was a need to alter the terms of reference under which ACAS operated. I understand that the particular point of concern revolves around the selection of Lord McCarthy to be Chairman of the Committee of Inquiry which ACAS set up in February during the ASLEF industrial action.

ACAS was established as a statutory body by the Employment Protection Act 1975. The legislation was designed to ensure the complete operational independence of the Service (the Act expressly provides that ACAS shall not be subject to directions by Ministers as to the exercise of its functions); and also to ensure that it can operate only on the basis of advice, persuasion and consent. ACAS has no statutory powers enabling it to impose its views or wishes on anyone.

The Act enables ACAS, at its discretion, to offer assistance to parties in dispute. This can be by means of conciliation, arbitration or inquiry, according to the Service's judgement of the particular circumstances and the attitudes of the parties concerned. The origins of this particular dispute go back a long way, and you may recall that ACAS first became involved when their conciliation averted the threatened national strike by all three rail unions last August. The agreements reached at that time were subsequently fully honoured by the NUR and TSSA, but not by ASLEF; and this led to further difficulties in December. When ASLEF began their industrial action in January I understand that ACAS had considerable reservations about the usefulness of setting

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up a Committee of Inquiry but came under considerable public pressure to do so, particularly from the NUR and TSSA.

When this was eventually agreed, the choice of a Chairman for the Inquiry was essentially a matter for discussion between ACAS and the parties concerned. In agreeing on Lord McCarthy they were no doubt influenced by two main considerations. First, as Chairman of the industry's own standing arbitration tribunal he already knew a great deal about the background and history of the dispute. Secondly, for the same reason his views might be expected to carry weight with all of the parties concerned, including ASLEF whose obduracy thus far had been based in part on their claim that the industry's own agreed procedures had not been fully observed.

At all events, the choice of Chairman and side-members was agreed by all of the parties concerned, excluding of course ASLEF who could not be persuaded to participate in any way. Similarly, the terms of reference for the Inquiry were settled by discussion and agreement between the parties. My Secretary of State's view is that this does not bring the terms of reference of ACAS into question since no Inquiry with any prospects of helping resolve the issues could have started without a sufficient degree of consent and co-operation on the part of most of the parties involved. He doubts whether any amendment to the general statutory duty of ACAS would have affected the course of events in this dispute.

I am sending copies of this letter to the recipients of yours.

Yours

Bruno Shaw

J B SHAW
Principal Private Secretary



36 April 22

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Prime Minister } Mr Howell's office assure me,

This proposal does not affect the agreement that, to the extent that this year's EFL is exceeded because of ASLEF,

29 March 1982 next year's will be reduced (by about

£40m, probably),

Agree the draft statement, amended to make this point? Should it not be

ML330/3 an oral statement? Try written statement?

Michael Scholar Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

is there no hope of including a reference in Peet's terms to meet some of the maintenance expenditure?
not

BRITISH RAIL

My Secretary of State would like the Prime Minister to know of the steps he has now to take in regard to the BR grant for passenger services in 1982.

The claim for grant which British Rail has submitted, is not acceptable, since it provides for a substantial increase in grant for this year over the unprecedented level of last year. This is despite the Board's efforts in continuing to reduce manpower, and despite the fact that they have placed an embargo on all commitment of new investment. It is therefore a matter of particular concern that the claim shows a continuing rise in the Board's unit costs, and only modest adjustments to be achieved in the level of services. Mr Howell has therefore concluded, and agreed with the Chief Secretary, that the right course is to impose on the Board a grant figure for 1982, so as to exert immediate pressure on them to contain their costs. Mr Howell thinks it imperative to act now, so that the grant level will not continue unsettled while the Board move into dealing with this year's pay claim.

The grant figure that Mr Howell has determined with the Chief Secretary's assent makes no provision for the extra losses of the ASLEF strikes in January and February. At £804m it represents a cut equivalent to £10m on last year's level. Also, the benefit of the reduction in the National Insurance surcharge (£6m) is fully offset.

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Mr Howell has at the same time decided to commission a special inquiry from the senior London partner of Peat Marwick Mitchell (who are the Department's auditors for the grant) on how this position has been reached and the steps immediately available to the Board to correct it. This investigation must lead onto the wider and more fundamental review of the finances of British Rail which Mr Howell discussed with the Prime Minister. Unfortunately, Sir Maurice Hodgson was not able to take that on, and the second candidate, Sir David Orr, will be seen immediately on his return to this country tomorrow. But whatever the result of that, Mr Howell feels it necessary to give the Board a decision on the grant this week, so that at their monthly meeting on Thursday they can start to consider the action needed.

It follows that the House should be informed at the same time, and I attach the draft of what Mr Howell proposes to say. In view of the rather technical nature of some of the material, Mr Howell thinks it best this should be done by Written Answer to an Arranged Question. You will see that the statement also takes the opportunity to inform the House, as Mr Howell has agreed with the Chief Secretary, that long-term lending to the Board will continue in appropriate circumstances - that is to say, these financial problems do not require the Government to suspend normal lending to the Board for capital purposes within the EFL already set.

In the public presentation of these steps on the grant and the Peat Marwick investigation, Mr Howell will be making it clear that the grant for 1982 represents a cut on the 1981 level; that it gives no cover for the losses from the ASLEF strike; that it is within the existing external financing limits and that he is pursuing with BR the need for further reductions in the grant in 1983 to which of course the investigation will contribute.

I am copying this letter to the Private Secretaries of the Chancellor of the Exchequer, the Chief Secretary, the Leader of the House and the Chief Whip.

Yours,

Anthony Mayer

R A J MAYER
Private Secretary

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DRAFT STATEMENT ON GRANT TO BRITISH RAIL

1. I informed the House on 24 November last of an exceptional increase of some £110.4m in the grant paid to the British Railways Board for the operation in 1981 of the passenger railway system as a public service under Section 3 of the Railways Act 1974 and EEC Council Regulation 1191/69. This increase recognised the serious deterioration in passenger revenue in 1981, and I made clear that I expected the Board in their claim for grant for 1982 to demonstrate that firm action had been taken on unit costs, which had been rising, and on service levels in light of the change in demand.

2. The Board have submitted to me a claim for grant for 1982 of £885.2m, which allowing for inflation, is some £60m above the total grant provided in 1981. Most of this results from increases in cost rather than a fall in revenue.

3. Under Article 12 of the EEC Regulation, the grant is to be calculated on the basis of efficient management of the undertaking and the provision of transport services of an adequate quality. After discussion of their claim with the Board, and in compliance with my statutory obligations, I judge that the grant for 1982 should be at a figure, lower than the Board's claim, of £810m. This now falls to be reduced, because of the change announced by the Chancellor in his Budget statement with regard to the National Insurance surcharge, by £6m. The grant for the passenger railway will accordingly be £804m for 1982. This amount includes, as in previous years, provision for a Special Replacement Allowance - this year £87.6m - for the replacement of the assets of the passenger business. It is estimated that a further £80.3m will be paid to the Board by Passenger Transport Executives in respect of services provided in their areas under Section 20 of the Transport Act 1968. The separate grant for level crossings will be £18.1m.

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4. I do not intend - and I am sure the Board would not wish - that this decision should result in yet further reductions in expenditure on necessary renewal and maintenance of the equipment and particularly of the infrastructure, and I will therefore this year earmark a part of the grant to this purpose.

5. Because the grant has been determined in this way, and not on the basis of the Board's Budget, I am not able to publish a breakdown of the grant between business sectors, as in previous years.

6. The need to decide on a level of grant in this way reflects a new, and serious development in the financing of the railways, and raises questions that require urgent answers. I have therefore asked Mr P J Butler, of Messrs Peat Marwick Mitchell, to make an immediate investigation, and report to me, with the following terms of reference:

"Following the Board's rising losses on their railway operations and the claim for grant in 1982, to examine the Board's rail budget for 1982 in the light of their performance in earlier years, their plans for improvement and the extent to which they were achieved; and to recommend what steps are open to the Board to make early improvements in the trading results by increased efficiency, cost reductions and improvements in financial control, whilst complying with the Public Service Obligation."

7. This investigation will provide an important element of the review of railway finances referred to in paragraph 3.71 of Cmnd 8494-II and to which both the Board and I attach the greatest importance.

8. At the same time I should make clear to the House that long-term lending to the Board will continue where the circumstances are appropriate.

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DEPARTMENT OF TRANSPORT
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01-212 3434

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Prime Minister (2)

MS 22/3

Michael Scholar Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

19 March 1982

Dear Michael,

REVIEW OF RAIL FINANCE

Thank you for your letter of 15 March.

My Secretary of State is happy to accept the amendments suggested by the Prime Minister. I am attaching, for convenience, the terms of reference now agreed.

The next task is to appoint a chairman. Unfortunately, Sir Maurice Hodgeson has just declined the job. We will now be approaching Sir David Orr, but as he is out of the country, he cannot be seen until 30 March.

I am copying this to John Kerr (Treasury), Terry Mathews (Treasury), David Wright (Cabinet Office) and Gerry Spence (CPRS).

Yours,

Anthony Mayer

R A J MAYER
Private Secretary

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P.M.'s SUGGESTED AMENDMENTS

DRAFT TERMS OF REFERENCE FOR THE REVIEW OF BR FINANCES

The object is to review the finances of the railway and associated operations in the light of [the policies stated by the Government towards the British Railways Board and] the Board's statutory duties; the rising losses of the Board on its rail operations; the short and long term effects on the Board's financial position of the recent industrial dispute; the Board's concern about the adequacy of expenditure on renewal of the assets of the railway; and the Board's existing plans for improving business results; to identify other opportunities for improving business results and the measures necessary to secure them; and also to identify possible changes in objectives that would help to secure improved financial results.

and policies

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Thompson

Treasury Chambers, Parliament Street, SW1P 3AG

Anthony Mayer Esq
Private Secretary to
The Rt Hon David Howell MP
Secretary of State
Department of Transport
2 Marsham Street
London SW1P 3EB

MBPM

MW 17/3

17 March 1982

Dear Mr. Mayer,

REVIEW OF BRITISH RAIL FINANCES

Michael Scholar wrote to you on 15 March recording the changes which the Prime Minister wishes to see in the draft terms of reference for this Review.

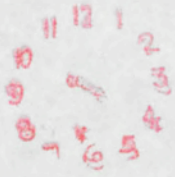
The Chief Secretary would not want to press for the retention of the words "in the light of the policies stated by the Government". However, he recalls that these words were intended to ensure that the Chairman of the Review took on board the Government's broad policy objectives of reducing public expenditure over time and conducted the Review within that framework. He trusts that it will remain your intention to make this point clear to the Chairman and any others conducting the Review.

I am copying this letter to Michael Scholar, David Wright and Gerry Spence.

Yours sincerely
T F Mathews

T F MATHEWS
Private Secretary

7 MAR 1982



SUBJECT

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Transport 22



V.C. J. Vanecko
a master K. Ingham

10 DOWNING STREET

From the Private Secretary

16 March 1982

Dear Anthony,

COAL AND THE RAILWAYS

The Prime Minister held a meeting yesterday at 1515 to discuss your Secretary of State's minute to her of 11 March, attached to which was a report by the Official Group on Railway Policy (MISC 72) on the ASLEF dispute; and Mr. Wade-Gery's minute to me of the same date, attached to which was a report by the Official Group on Coal (MISC 57) on power station coal stocks. Those present were the Home Secretary, the Secretaries of State for Energy, Transport and Employment, the Chief Secretary, Treasury, Sir Robert Armstrong, Mr. Ibbs and Mr. Wade-Gery.

Ministers first discussed the MISC 57 report. The Prime Minister, summing up this part of the discussion said that Ministers agreed that fully super-accelerated deliveries of coal to the power stations should continue until further notice, as the Secretary of State for Energy had proposed. Extra power station oilburn and the export of power from Scotland should be terminated at the end of March. If in the event it proved necessary to conserve power station coal stocks these measures could be reintroduced quickly. The extra costs involved in super-acceleration could be met from the Contingency Reserve. The Department of Energy should bring to a conclusion its urgent investigation as to whether it would be practicable for power station stocks of ancillary materials to be increased in line with coal stocks. MISC 57 should report on the scope for increasing the capacity of the interconnectors with Scotland and France, the costs and timescale involved in doing so and in the French case the reliability of supplies in an emergency; and they should examine the scope for extending the dual-firing of power stations, particularly with gas as the alternative fuel, since there seemed likely to be an over-supply of gas on the world market for some time. They should also consider whether in the longer term there were ways of reducing dependence on the railways for the delivery of coal to the power stations, e.g. by installing slurry pipelines in some cases.

The discussion then turned to the railways. Your Secretary of State said that the Rail Staff National Tribunal (RSNT) was meeting yesterday and today. Its findings would be published probably on Thursday 25 March, but possibly as early as 23 March. If the RSNT recommendations were acceptable to the Railways Board (as the Board now thought likely) they would probably announce immediately their intention to introduce flexible rostering from the end of May, when the new timetable came into force; to do so earlier would involve a great deal

/of work on

SECRET AND PERSONAL

of work on preparing rosters, many of which would subsequently have to be extensively revised. If the RSNT recommendations were inconclusive or favoured ASLEF, the Railways Board would probably seek to pursue flexible rostering and other productivity improvements in the context of the 1982 pay negotiations. The Railways Board was already in poor financial shape. Given the costs of the strikes earlier this year it would probably be necessary for the Board to generate an extra £100 million in 1982-83 from faster asset sales. If there were a further strike it was, in his view, unrealistic to expect the Board to absorb the costs involved; if the Government adopted this stance the Board could well be deterred from continuing the fight for improved productivity. He therefore recommended that the Board should be told now that in the event of a further strike the Government would meet at least part of the costs involved provided that the outcome was satisfactory agreement on improved productivity.

In discussion the following were the main points made:-

- (i) It was regrettable that the Railways Board could not immediately introduce flexible rostering on at least some routes in the event of acceptable recommendations from the RSNT.
- (ii) There should be no question of the Government meeting part of the costs of any further rail strike as long as the Railways Board continued to make unacceptably slow progress with asset sales. Private sector companies could well be forced to realise assets following a major industrial dispute, and the same discipline should therefore apply to the nationalised industries. In any case, the Railways Board might well regard the cost of a strike as an acceptable price to pay for necessary improvements in productivity.
- (iii) If the RSNT award proved to be completely unacceptable the Railways Board should be ready to reject it and to insist on the implementation of flexible rostering, even if that meant a major strike. It would be preferable for the 1982 pay negotiations and the introduction of flexible rostering to be kept separate. But if in the Railways Board's judgement the best course was to pursue improved productivity in the context of the pay negotiations it was important that the issue should be brought to a head quickly, since the threat of a strike as late as August (as had developed during the 1981 pay round) would be undesirable from the point of view of power station coal stocks.
- (iv) It had been suggested that the form of the ACAS enquiry into the Railway dispute had been constrained by ACAS' terms of reference. This needed investigation.

The Prime Minister, summing up the discussion, said that Ministers would need to meet again as soon as the RSNT's conclusions were known, and preferably before they were published. If the RSNT recommendations were to prove unacceptable to the Railways Board, or if ASLEF were to refuse to accept the RSNT award, the Railways Board should be encouraged to stand firm to achieve

/the improvements

the improvements in productivity which were essential to the future of the railway. But it should not be suggested that the Government would meet the costs of winning a further rail strike while the Railways Board had assets they could realise. The Secretary of State for Employment should consider urgently whether there was a need to alter the terms of reference under which ACAS operated. Finally, the Civil Contingencies Unit should arrange for the impact of a possible rail strike on the steel and chemical industries and on oil supplies to be investigated further. If necessary, the industries concerned could be consulted in confidence.

The Prime Minister has considered further the implications of the new assessment of the rate at which new rosters would be introduced by the Railways Board for ASLEF. (The MISC 72 Report had said that this could be done depot by depot, but that it might be mid-April before BRB were ready to impose new rosters; but your Secretary of State reported the latest judgement of the Railway's Board that it would make far worse industrial relations to introduce the rosters one by one rather than to wait until they were all agreed and introduce them all at once). The Prime Minister's view, however, is that the process of introducing the new rosters would better begin straightaway, since

- (i) Introducing them all at once provides a grievance for all the drivers at the same time, whereas introducing them gradually does not.
- (ii) The climate of public opinion will be most favourable towards the new rosters immediately after McCarthy reports.
- (iii) The more time passes, the more entangled this becomes with the new pay offer, and the greater the risk that the productivity issues will sink without trace.
- (iv) And the more time passes, the more likely it is that industrial action on the railways will take place after the summer holidays, when it does most damage to coal endurance.

In the light of this, the Prime Minister would be grateful if your Secretary of State would bring to the next Ministerial meeting on this subject an assessment by MISC 72 generally of the implications of the RSNT award; and in particular of the pace at which the Railways Board ought to be encouraged to proceed with the introduction of flexible rostering. Meanwhile the Board should be given clear instructions to take no precipitate action - either to bring on a strike or to abandon its productivity objectives - upon receipt of the RSNT award without consulting Ministers.

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

Yours sincerely,

Michael Scholar

Anthony Mayer, Esq.,
Department of Transport.

CONFIDENTIAL

Prime Minister

Transport

(2)

X seems to me very important.

PRIME MINISTER

1 totally agree with this minute. Please tell MOT. MB

cc Mr Ingham Mr Hoskyns MS 15/3

BR/ASLEF Dispute

After your meeting this afternoon on coal stocks and the railways I drew your attention to the significance of the changed assessment made by the Department of Transport over the rate at which new rosters would be introduced by BR for ASLEF after the McCarthy Report, and on the assumption that the report provided some basis for introducing them at all. You asked me to investigate why, although the MISC 72 report said "this could be done depot by depot, but it might be mid-April before they were ready to impose new rosters", Mr. Howell told your meeting that BR did not expect to introduce them until the end of May at the earliest.

I am told that Mr. Howell's assessment is based on a more recent judgment from the BR board than the one on which MISC 72 were working. BR now think that it would make for worse industrial relations to introduce the new rosters one by one than to wait until they were all completed and introduce them all at once. I am told that there is no practical difficulty about introducing some before the others.

This argument seems to me to be highly suspect on several grounds:-

- ✓ (i) Introducing them all at once provides a grievance for all the drivers at the same time, whereas introducing them gradually does not.
- ✓ (ii) The climate of public opinion will be most favourable towards the new rosters immediately after McCarthy reports.
- ✓ (iii) The more time passes, the more entangled this becomes with the new pay offer, and the greater the risk that the productivity issues will sink without trace.

X
see over, too.

/(iv)

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-2-

X C ✓
(iv) And the more time passes, the more likely it is that industrial action on the railways will take place after the summer holidays, when it does most damage to our coal endurance.

✓
Mr. Howell said at your meeting that a further reason for delay would be to wait until after the ASLEF annual conference in mid-May. That also seems to me suspect: given the unrepresentative nature of union conferences, it could easily be that a resolution would be passed tying the hands of the Executive before BR had put the issue to them (although we must recognise that the ASLEF conference is likely to take an unhelpful attitude under any circumstances).

✓
✓
I believe that the speed at which BR moves after McCarthy is very important for the handling of this dispute, and that we cannot rely on BR's own judgment because the motivations of the Board are, regrettably, ~~based~~ for the reasons discussed at your meeting this afternoon, different from ours. We decided this afternoon that Ministers should meet to discuss the position almost immediately after McCarthy reports; you may feel that it would be wise for MISC 72 to be instructed to have ready for that meeting their assessment of the pace at which BR ought to be encouraged to proceed.

X

J.
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mt
15 March 1982

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ec Tu Es
Transport

10 DOWNING STREET

From the Private Secretary

15 March, 1982.

Review of BR Finances

Thank you for your letter of 11 March.

The Prime Minister believes that if the words "in the light of the policies stated by the Government" were retained in the terms of reference, the Government would be asked immediately to define precisely what its policies are towards the railways. She would accordingly prefer these words to be omitted, and also to have the addition of "and policies" after "objectives" in the penultimate line. But she is otherwise content with the draft terms of reference.

I am sending copies of this letter to John Kerr (HM Treasury), Terry Mathews (Chief Secretary's Office), David Wright (Cabinet Office) and Gerry Spence (CPRS).

M. C. SCHOLAR

Anthony Mayer, Esq.,
Department of Transport.

CONFIDENTIAL

PRIME MINISTERCOAL ENDURANCE AND THE ASLEF DISPUTE

Your meeting on Monday will consider the latest reports from MISC 57, on coal endurance, and MISC 72, on the handling of the ASLEF dispute after McCarthy reports. It would be best if, at your meeting, the coal endurance position is established before colleagues go on to consider how to handle the ASLEF dispute.

Coal Endurance

The conclusions of the latest work of MISC 57 are summarised in Robert Wade-Gery's covering minute. They are satisfactory: we are on target to achieve the maximum physical power station capacity for coal stocks well before next autumn. That would be 27 mt for Great Britain (including Scotland), which is 5½ mt more than the peak achieved in December 1978.

The only decision for Ministers is to authorise the continuation of the super accelerated delivery rate for coal. Mr. Lawson will recommend this; MISC 57 believes it to be feasible; and you will have seen from the latest weekly coal and power station statistics that at the end of February power station coal receipts exceeded 2 mt a week for the first time since the beginning of 1980, as a result of the fast delivery programme. There is no reason not to continue with super accelerated delivery, and every reason to strengthen our hand vis-a-vis both ASLEF and the NUM by doing so.

You will also want your colleagues to note that MISC 57 has concluded that a rail strike this spring poses no immediate threat to the level of coal stocks in the spring or next autumn. Even after an 8 week all out rail strike we could get back to 27 mt in the autumn.

THE ASLEF DISPUTE

The main conclusion to be drawn from the MISC 72 report is that whatever McCarthy recommends, BR is likely to have to take a tough negotiating position with ASLEF, backed up by a willingness if

/ necessary

necessary to sustain a further period of industrial action. You have of course already authorised Mr. Howell to tell Sir Peter Parker that we do not exclude the option of sustaining a national strike.

The Group recommends that if and when industrial action threatens, BR must provide Ministers with clear recommendations, together with their estimate of the outcome, and time for consideration. I am sure that is right. One of the lessons of the dispute last month was the need for us to ensure that our messages to BR are clear and consistent. That would be easier if we were responding to specific BR recommendations; and if there is time (which need not be long) for proper analysis by officials. And the risk of Ministers not being sure what messages are getting through would be reduced if the Cabinet Office are instructed to record, and circulate within a matter of a few hours, the action agreed.

Officials should be asked for two pieces of further work:

- (i) To consult the steel and chemical industries, as Mr. Howell suggests. The assessments in Annex VI are guesswork.
- (ii) To prepare a paper for Ministers analysing the RSNT findings and the likely way forward, taking account of BR's initial reactions.

BR's financial position

Our financial arrangements, quite rightly, have ensured that the short term cost of the industrial action last month will be borne by the railway industry; but the Board may feel that this provides a disincentive for tough management in the future. It may be necessary to indicate to the Board that we would be inclined to be more generous with the EFL in the short term if there were a successful outcome to facing up to industrial action, because that would reap benefits in terms of productivity savings in the longer term.



John Vereker

12 March 1982

LC JV
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Ref: B06441

PRIME MINISTER

c Sir Robert Armstrong

Coal and the Railways

BACKGROUND

There are two papers for your meeting at 3.15 pm on Monday, 15th March:

- (a) my minute to Mr Scholar of 10th March covering a report by the Official Group on Coal (MISC 57);
- (b) the Secretary of State for Transport's minute to you of 11th March covering a report by the Official Group on Railway Policy (MISC 72).

2. They should be taken in that order. The conclusions of (a), on power station coal stocks, are highly relevant to the prospects of a rail strike, which (b) considers.

Power Station Coal Stocks

3. Paper (a) calls first for a specific Ministerial decision in favour of continuing with super-accelerated coal deliveries to the power stations through the spring and summer, until maximum stocks for next winter have been achieved. This should be easy to agree on quickly. The issue was deferred at your meeting on 17th December. At that stage it seemed finely balanced. Super-acceleration was needed in order to secure maximum stocks by November (24 million tonnes in England and Wales, or 27 million tonnes including Scotland). But the Secretaries of State for Energy and Employment were worried that it might provoke the unions into some kind of retaliatory go-slow. Since then that worry has dissolved, in the aftermath of the bad weather and the ASLEF stoppage. A recent joint meeting between the Department of Energy and the three Boards (CEGB, NCB and BRB) concluded that no one would object to super-acceleration, at least between now and the summer holidays. The

Chancellor of the Exchequer is not expected to object to the extra costs involved (about £10-12 million); but his officials and the Department of Energy will need to work out the precise means of meeting them.

4. No other decision arises on paper (a). But its other two conclusions, if accepted by the meeting, should dispose of two widely-expressed fears about the consequences of an early rail strike. First, it seems not to be true that such a strike would leave us unable to rebuild maximum power station coal stocks for next winter (unless it lasted more than two months), although doing so might in certain circumstances involve some expensive extra oilburn (about £30 million a week). Second, power station endurance during an early rail strike would be at least three months and therefore not the choke point.

The ASLEF Dispute

5. Paper (b) reviews prospects after the forthcoming arbitration, and in particular the possibility of a strike. The Secretary of State for Transport sensibly suggests concentrating on the following three questions.

(i) Is more contingency planning needed? There are several candidate areas.

- Chemicals. There may be a serious problem here, because specialised rail vehicles cannot easily be replicated on the roads. The Department of Transport will need to probe this with the chemical companies. If the problem is confirmed, solutions should be investigated by the Civil Contingencies Unit.
- Steel. Industrial users are well stocked and could probably keep going on imports. But British Steel itself might have to close, and the private steel companies would also be hard hit. The Department of Industry will need to investigate further.

- Oil. There could be local shortages in four areas, particularly of heavy fuel oil which requires specialised vehicles. The CCU will need to do more work on this, in consultation with the Department of Energy

(ii) How far would the Government back the BRB in a strike? There are two questions here. First, how long could a strike be withstood? The weakest points are probably coal-burning industry (but not power stations, see above); perhaps chemicals (see above); and commuter morale. Second, is flexible rostering the best issue on which to rally public support behind Sir Peter Parker in a showdown? Ideally, a clearer issue would have been preferable. But realistically he has little choice. Productivity is the key to effective management of the railways, and his NUR allies will never forgive him if he backs down now.

(iii) Should the Government give the BRB further guidance at this stage? The Secretary of State for Transport suggests that any further Ministerial discussion might best await the publication of the RSNT award and the BRB's assessment of it. That seems right. But the BRB will need to be told that this is what Ministers intend; and they will need to consider, and perhaps clear with Ministers, what they should say publicly, under each of the scenarios in the MISC 72 report, immediately following the publication of the RSNT award. Subject to that, no further guidance to the BRB seems necessary at this stage, unless Ministers decide during your meeting significantly to modify the points already made to the BRB by the Secretary of State for Transport.

6. Your meeting may also wish to consider what levers the Government would have to influence the BRB's handling of a strike. The Department of Transport's firm view is that the costs of a strike almost certainly will not be containable within the BRB's 1982-83 EFL, and that if the Government were to insist the BRB could well throw in the towel. It therefore seems

likely that at least part of the cost of any strike would have to be met through an increase in the BRB's EFL. The Department of Transport are also clear that in a strike an early increase in the BRB's temporary borrowing limit would be unavoidable. Faster asset sales would not make up the shortfall in cash flow. In any case asset sales impinge much more on the NUR than ASLEF, so in present circumstances they have to be handled carefully. Finally, the meeting may want to ask the Secretary of State for Transport how likely it is that the BRB's financial position during a strike would so deteriorate that increased borrowing would be improper and deficit grants would therefore be necessary (paragraph 27 of the MISC 72 report). The main questions are: how quickly might this arise? What sort of sums might be involved? How much more closely involved would the Government then have to become in the running of the railways and therefore in the handling of the strike?

HANDLING

7. You should deal first with power station coal stocks. Is it agreed that super-accelerated deliveries should continue in England and Wales until maximum November stock levels are ensured? The Secretary of State for Energy should open. The Secretary of State for Employment and the Chancellor of the Exchequer will wish to comment. Agreement is likely to be reached quickly. The Chancellor of the Exchequer should be invited to sort out with the Secretary of State for Energy how the extra costs should be funded. The Secretary of State for Scotland will be aware that super-acceleration is unnecessary there.

8. Next you should establish whether MISC 57's other conclusions are accepted. Does the Secretary of State for Energy in particular agree that after a rail strike power station coal stocks could be fully rebuilt in time for next winter, provided the strike does not last longer than two months or start late in the summer? Would the Chancellor of the Exchequer regard the cost of doing so as money well spent? Does the Secretary of State for Energy agree, further, that power station coal stocks would last at least twelve weeks in a rail strike beginning in April?

9. You should then ask the Secretary of State for Transport to speak to his minute on ASLEF and strike prospects. The Secretary of State for Employment and the Chancellor of the Exchequer, in particular, should comment. The Secretaries of State for Industry and Energy may wish to speak on the implications of a strike for the chemical and steel industries and for oil supplies respectively. If further work on this seems necessary the Home Secretary could be asked to arrange for it to be done under CCU auspices. The Secretary of State for Transport should be asked to convey any further guidance that may prove necessary to the BRB.
10. Finally, you will want the meeting to confirm that, in the immediate future, extra half-rate oilburn should continue at the power stations; not because it is needed to build up next winter's stocks, but as a precaution against an early rail strike.

CONCLUSIONS

11. You will need to record conclusions on the following specific points:
- (i) super-acceleration (with the Chancellor of the Exchequer and the Secretary of State for Energy settling the financial aspects separately);
 - (ii) continuation of extra power station oilburn until the possibility of an early rail strike is clarified;
 - (iii) the need for further work by CCU on oil supplies and the chemical industry; and
 - (iv) what further guidance, if any, should be given to the BRB by the Secretary of State for Transport.



R L WADE-GERY

12th March 1982

Continue to see please

MLS 11/3

19

PRIME MINISTER

Coal and Railways Meeting

Neither Patrick Jenkin nor George Younger can come to the meeting on Monday 15 March about coal stocks, oil burn and preparations for rail and coal strikes.

The Scottish Office have suggested that Alex Fletcher might come. I do not myself think a Scottish Office Minister is essential, and our aim has been not to widen the circle of people who see these papers.

Agree that we should go without an Industry or Scottish Minister?

MLS

11 March 1982

Yes
not

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M. J. V.

244



If Mr. Howell's words are inserted we shall be asked unequivocally to define precisely the policies towards the railways.

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

①

Prime Minister

Michael Scholar Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

Mr Howell wants the asterisked words inserted in the terms of reference in order to minimize the risk of the

11 March 1982 Review being labelled as a "Beeching" ^{exercise} Robin Ibbis

I should prefer not to have them in

Dear Michael, *Do have the various additions and policies added and*

would prefer "and policies" added in the penultimate line. Are you content with

REVIEW OF BR FINANCES

Mr Howell's draft? Or would you prefer Robin

Thank you for your letter of 8 March about the Review of BR Finances.

My Secretary of State saw Sir Maurice Hodgeson earlier this evening. He will let us have his decision next week. Thereafter, we might have to move rather fast. ^{Ibbis addition? mes 12/3}

I am therefore writing to you now about the Terms of Reference, and your comments on them. My Secretary of State agrees that the first sentence should be shortened by omitting the reference to the Public Service Obligation. He would, however, much prefer to keep the words "in the light of the policies stated by the Government". That is because he sees a need for the Review to be carried out sequentially. First, there would be a thorough examination of the Board's business performance to see whether they could achieve sufficient improvements in productivity and business performance, overall, to enable them to comply with the existing policies within the planned public expenditure provision. If, however, as the Board contend, that cannot be shown to be practicable, then the Review would examine the savings that could be achieved by changing the Government's policies. That possibility is certainly not ruled out. Indeed, it was recognised in the final words "to identify possible changes in objectives that would help to secure an improvement in business results". My Secretary of State is not keen to make that very much more explicit. Otherwise, he feels, the Review could be labelled from the outset as another "Beeching" Review, which could well prove counter-productive.

The Chief Secretary has suggested in his letter of 9 March that the terms of reference should be extended to include an examination of measures necessary to secure an improvement in the present set up as well as options for changes in policy. My Secretary of State would be entirely happy to accept this, though we have agreed a slight modification of the actual words with the Treasury.

CONFIDENTIAL

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The attached copy of the revised Terms of Reference covers both these points.

Our aim would be to announce the setting up of the review through a written answer. I will check the exact timing with you beforehand.

I am sending a copy of this letter to John Kerr (Treasury), Terry Mathews (Treasury), David Wright (Cabinet Office) and Gerry Spence (CPRS).

Yours,

Anthony Mayer

R A J MAYER
Private Secretary

CONFIDENTIAL



DRAFT TERMS OF REFERENCE FOR THE REVIEW OF BR FINANCES

The object is to review the finances of the railway and associated operations in the light of the ^{*}policies stated by the Government towards the British Railways Board and the ^{*}Board's statutory duties; the rising losses of the Board on its rail operations; the short and long term effects on the Board's financial position of the recent industrial dispute; the Board's concern about the adequacy of expenditure on renewal of the assets of the railway; and the Board's existing plans for improving business results; to identify other opportunities for improving business results and the measures necessary to secure them; and also to identify possible changes in objectives that would help to secure improved financial results.

| and policies (Ibbs'
suggestion)

* omission suggested
by No 10.

Ref: B06440

18

GJV

MR SCHOLARCoal and the Railways

The Prime Minister's meeting on Monday at 3.15 pm will be discussing two issues:

- (i) the rate of coal deliveries to the power stations during 1982, on which Ministers deferred a decision at their meeting on 17th December; and
- (ii) the possibility of further industrial action on the railways following arbitration on flexible rostering.

2. I attach a report by the Official Group on Coal (MISC 57) which considers the rate of coal delivery to the power stations during 1982 (ie (i) above); how power station coal stocks next November would be affected by a rail strike; and power station endurance in the event of an early rail strike (both of which are relevant to (ii) above).

3. Briefly the position appears to be as follows.

(a) There should be no difficulty in sustaining a super-accelerated rate of coal delivery to the power stations for at least the next few months. This should increase the power stations' coal stocks to the maximum they can physically hold (24 million tonnes in England and Wales, or 27 million tonnes including Scotland), by perhaps the end of August and certainly well before November, provided that there is no further industrial action on the railways.

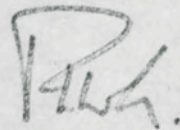
(b) If there were a rail strike lasting up to 8 weeks this spring, power station coal stocks could still be increased to this physical maximum, or very near it, by 1st November. But increased power station oilburn might be necessary after as well as during the strike. A protracted rail strike starting late in the summer would make it less easy, and perhaps impossible, to rebuild stocks by November.

(c) In the event of an early rail strike power station endurance would not be less than 12 weeks, and could be much higher. This is significantly greater than the endurance of coal-burning industry.

4. Ministers are invited -

- to agree, in the light of paragraph 3(a) above, that superaccelerated coal deliveries should now be maintained until maximum power station coal stocks have been achieved;
- to instruct officials of the Department of Energy and Treasury to settle how the cost of this should be borne;
- to note the conclusions at paragraph 3(b) and (c) above.

5. I am sending copies of this minute to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Energy, Industry, Defence, Scotland, Transport and Employment, and to Sir Robert Armstrong and Mr Ibbs.



R L WADE-GERY

11th March 1982


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PRIME MINISTER

m.

BRITISH RAIL - ASLEF DISPUTE

I am attaching the report by officials that we commissioned. It is necessarily speculative, but provides, I think, a useful basis for us to think about the decisions that we may have to face.

I talked to Sir Peter Parker on 2 March, and made it clear that the Government does not exclude the tough option of facing up to further industrial action on the railways. He fully understands our view that everything possible should be done to influence the attitudes of the drivers towards flexible rostering; and that, if further industrial action is in prospect, he should aim so to handle affairs that he can give Ministers a chance to consider the Board's proposed course of action. I told him that we would want to have the Board's considered views on a way through a further strike, and in particular their judgement of how long industrial action might have to be sustained for the Board to have a good chance of bringing a dispute to a successful conclusion.

At our meeting on Monday, 15 March, I suggest we consider:-

- i. whether there is any more work that we wish to commission from officials. One possibility is to ask officials to consult steel and chemical industries about the effects of an all-out rail strike (see paragraph 28 of the main paper and Annex VI);

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- ii. the extent to which we would be prepared to back the Board in a further dispute; and
- iii. whether there is any more guidance that we wish to give to the Board at this stage.

I suggest that we ask officials to prepare a further paper for us as soon as the RSNT findings are available; and that we aim to hold another meeting as soon as the Board can tell us what their proposed course of action would be on these findings.

I am sending copies of this minute to the Chancellor, the Home Secretary, the Secretaries of State for Industry, Employment, Energy and Scotland, and to Robin Ibbs and Sir Robert Armstrong.

JG.

DAVID HOWELL

11 March 1982

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BRITISH RAIL - ASLEF DISPUTE

Report by the Official Committee on Railway Policy

1. This report is by a group of officials from Department of Transport, Treasury, Department of Employment, No 10 Policy Unit and CPRS.

PART I - THE PRESENT POSITION

2. In the coming weeks the British Railways Board (BRB) may need to consider courses, in its dispute with ASLEF over flexible rostering, which could lead to a total stoppage of BR rail services. The exact circumstances cannot be predicted: this report tries to provide Ministers in advance with the groundwork for decisions.

The issue in dispute

3. As part of necessary improvements in productivity, the Board seek to introduce greater flexibility into the rostering of footplate staff who are at present entitled to be rostered on five weekdays each week, for turns of eight hours each. More flexible rules have been agreed for guards. The standard working week for guards has been reduced from 40 hours to 39 hours. This change for footplate staff has been deferred. The issue is described more fully in ANNEX I.

Timetable

4. The position is

- a) the BR proposals for flexible rostering for footplate staff have been put into the normal negotiation machinery;
- b) they are to go to the Railways Staff National Tribunal (RSNT), at a hearing starting on 15 or 16 March, on terms of reference already agreed (ANNEX I);
- c) the recommendations of the RSNT are likely to be available early in the week beginning 22 March; it is open in principle to the parties to agree beforehand that the RSNT recommendations be binding, but ASLEF have refused to agree to this and the recommendations will accordingly not be binding;
- d) the settlement date for the annual pay negotiations is 19 April; the Unions have submitted claims for

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'substantial' increases.

Accordingly, BRB will need to decide their course of action on flexible rostering soon after 21 March.

Attitudes of Board and Unions

5. BRB is determined to recover lost ground and to win real productivity improvements from ASLEF. They are concerned to retain the support of NUR and TSSA and such commitment as there is from the TUC. Sir Peter Parker has made clear his personal commitment to success on this issue. Other members of the Board are thought to feel the same way. The Secretary of State for Transport has told the Chairman that in the Government's view the tough option of fighting a national strike is not excluded, but the Board would need to establish a clear issue on which to fight and to have a clear idea of a way through. The Government would wish to have the Board's considered judgement of how long a strike might have to be sustained to produce a good chance of winning. The Board are also aware of the Government's expectation that the cost of the January/February industrial action should be accommodated within their 1982/83 EFL.

6. The NUR leadership is keen that the BRB should secure from ASLEF an agreement on flexible rostering very little different from the one they have already made for guards. NUR must be a party to a new agreement for footplate men, since they represent some of them. They believe that the BRB/NUR agreement is beneficial to their members, and they have been making strenuous efforts to get this message over and to quell unofficial action by some guards who object to flexible rostering. They will want an early settlement of the issue so that they can press ahead with pay negotiations. A failure to introduce flexible rostering for footplate staff similar to that agreed for guards would be seen as a serious setback for the NUR leadership. The position of TSSA leadership is close to the NUR's though less directly engaged.

7. ASLEF have continued to resist any worthwhile concessions. In the negotiations they have maintained the line that they will not be a party to giving up the 8-hour day. They clearly aim to put pressure on BR to make concessions. It is hard to judge how far the ASLEF Executive would push this obduracy. There was good evidence, from their own conduct and from BR reports of the attitude of the men, that in January/February the membership was very unwilling to move to an all-out strike. But there were few signs of cracks in loyalty to the leadership in the intermittent strikes. The men will have recovered some of their lost earnings, and may be ready to support renewed industrial action. Flexible rostering would have little impact on earnings, but would tighten up work demands on the men - see ANNEX I. It is not

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totally clear why ASLEF should resist so strongly changes that have already been accepted by the NUR, but ASLEF may have more to lose from productivity improvements. Further loss of membership could put at risk the continued existence of an independent ASLEF. Facts on ASLEF and its membership are at ANNEX II.

8. The TUC's support for ASLEF in the recent dispute was only on the grounds that BR should honour the agreement to pay the 3%, which was not formally conditional on productivity changes. They have said nothing about the merits of flexible rostering, but since they were a party to the agreement at ACAS on 17 February they can be expected to support whatever the arbitration recommendations are. The extent to which they could influence ASLEF, should the need arise, is probably limited. They failed to persuade ASLEF to give evidence to the McCarthy arbitration in February.

PART II - POSSIBLE OUTCOMES FOLLOWING RSNT ARBITRATION

9. The courses open to BRB and their merits, and the issues which might be presented for Ministers, will depend very much on the content of the (non-binding) recommendations of RSNT.

10. Three possible outcomes are considered below. It is likely that the RSNT conclusions will not produce a totally conclusive endorsement of either the Board's position (option A) or of ASLEF's position (option B). But the Board will have to decide whether they are acceptable or not, which means that they will then have to face up to many of the issues presented by options A and B.

11. Certain factors are common to the different scenarios. Whatever the recommendations, a period of further discussion is likely, if only to clarify the details of the award. But the Board will need to decide quickly whether it is worth pursuing those discussions for any length of time, or whether they are likely to prove fruitless, or obscure the issue, or lead to pressure on the Board to make concessions to ASLEF. The Board would want to avoid this, especially if the recommendations were favourable to them.

12. But the Board will not want to take precipitate action which could expose them to accusations of perpetrating a lock-out, which might form a rallying cry for other unions to support ASLEF. The Board may wish to make an early statement of their intention of imposing flexible rostering, but they will have to draw up new rosters for drivers before imposing them. This could be done depot by depot, but it might be mid-April before they were ready to impose new rosters. This delay would give the Board extra time to explain their position to drivers. At some stage, however, ASLEF may call for intermittent industrial action eg strikes on two days a week, or in different regions. The Board would then have to decide whether they should escalate the dispute. The views

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of Ministers would be critical in these circumstances, and the Board must be in no doubt what they are.

13. The introduction of the 39 hour week is a complicating factor. In the 1980 pay agreement the Board accepted a commitment to reduce the standard working week to 39 hours from 1 November 1981, providing this was within the context of discussion of measures which would minimise the cost. Flexible rostering is an important ingredient in that. The 39 hour week is not in the RSNT's terms of reference, but questions about its implementation will no doubt feature in the evidence to the Tribunal, and in any subsequent negotiations.

14. Finally, both parties will be influenced by the impending pay negotiations (see ANNEX V). The unions will want to start negotiations, but the Board's present position is to reserve any offer until after the issue of flexible rostering is settled. Win or lose, the Board are going to have to take a tough stance in the pay negotiations. This itself could spark further industrial trouble, but this might not be for some time as negotiations could be expected to proceed through the established machinery.

A. The Recommendations are Acceptable to the Board

15. This case assumes that the recommendations are so close to the agreement already reached between the Board and the NUR/TSSA and so specific that they can be immediately endorsed by BRB. ASLEF would then be under considerable pressure to accept them, not only from NUR/TSSA, but also from the TUC and ACAS, and no doubt the media. That may succeed, in which case no issues will present themselves immediately to Ministers.

16. ASLEF may reject the recommendations, insisting on keeping the 8-hour day. Or ASLEF may seek modifications (negotiation following RSNT recommendations has not been uncommon). The first issue for BRB may be whether they would be prepared to accept any modifications of the recommendations in negotiation.

17. Faced with an ASLEF refusal to accept RSNT recommendations favourable to BRB and NUR, the Board may need to consider actions that could lead to further industrial action. ASLEF might well call for industrial action if the Board announce its intention to impose new rostering arrangements. Or action could be delayed until the Board attempts to introduce new rosters, depot by depot or in groups of depots. It seems most unlikely that ASLEF would opt for a complete stoppage; they would probably prefer to limit action to intermittent strikes, perhaps on the recent pattern.

B. The Recommendations are Unacceptable to the Board

18. Given the recent record of the RSNT, the possibility cannot be excluded that the eventual recommendations will be so close to the present ASLEF position as to present difficult choices for the Board and the Government. If BRB accept the recommendations this would probably cause the NUR to re-open negotiations on flexible rostering. The BRB weakness being exposed, very slow

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progress would then be made on all the other productivity initiatives being negotiated. The Chairman, and possibly other Board members, might go. Ministers would need to consider how their policies towards the railways should be amended to contain the financial support. The setback on the railways would have wider repercussions on the handling of industrial matters on other fronts.

19. The Board must try hard to avoid such a defeat. They could reject the recommendations, which would not be binding, and still seek to impose new rosters.

20. The Board would have greater difficulty in winning a confrontation in the face of adverse recommendations, especially if they lose NUR support. The NUR, whose agreement would be undermined by the RSNT recommendation, would face an acute dilemma over whether to support BRB. The Board would no doubt seek to attack the credibility of Lord McCarthy as a mediator publicly, but there is no doubt that if ASLEF 'win' at RSNT, the prospects of securing ASLEF members' agreement to flexible rostering, and of retaining public support, will be more doubtful. The alternative course is for the Board to accept the result, perhaps refuse to introduce the 39 hour week, and adopt a tough approach in the ensuing pay round.

C. The Recommendations are not Conclusive

21. The recommendations may not clearly be favourable to either side. There might be recommendations of principle as a basis for further negotiation, or for changes in stages subject to trial periods, or for changes linked to other conditions. The possible permutations under this category are numerous. The risks of entering into inconclusive negotiations would be large. The attitude of the NUR would be critical. But if ASLEF refuse to accept any such recommendations, then the Board can confront ASLEF once again on the simple clear-cut issue of refusing to move from the 8-hour day. In that case they ought to be on strong ground, and the situation could develop in a similar way to when the recommendations were immediately satisfactory to the Board.

PART III - EXITS FROM AN ALL OUT STOPPAGE

22. There are various circumstances in which BRB might judge their best course to be one with a high risk of a partial or complete stoppage of BR rail services. There would then be little, if any, room for conciliation or mediation - and further attempts by ACAS might be confusing - and little prospects of change by the ASLEF executive. However brought about, the two most likely exits from a strike would be acceptance of BR's terms by enough of the men, in defiance of the union, or acceptance by BRB of ASLEF's terms. The latter would be very damaging to the Board, and could be to the Government, particularly if it appeared to be the Government that had brought

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about the ending of the strike.

23. There is thus a high premium on BRB explaining their proposals to the men, and convincing them of the advantages. What they have done so far is at ANNEX III. Since on an all-out stoppage the already limited contact with the men would be lost, there could be advantage in facing further intermittent stoppages.

24. Once they have embarked on industrial action, the ASLEF executive cannot be expected to change their position even in the face of pressure from NUR and ACAS and lack of TUC support. Their attitude in the recent dispute suggests that they would be prepared to endure intermittent industrial action lasting months, and that passage of time would only strengthen their resolve.

25. ASLEF members fully supported the executive in the recent dispute, and there is no reason yet to suppose they would not do so again. They may well see the loss of "easy" turns (see ANNEX I) as more important than the advantages of flexible rostering. A campaign by BRB to explain these advantages may have difficulty in convincing the drivers, especially in the face of counter-propaganda from the ASLEF executive. The drivers could persist with intermittent action, say reducing average weekly take-home pay from £100 to £60, for quite some time. A complete stoppage would leave them with no pay, strike pay or tax rebates, but we do not know how quickly this would cause difficulties to enough members to make them give in. This is something on which BR's judgement would be needed. The circumstances and atmosphere surrounding the shutdown, and the perceived determination of BRB (and the Government) would be important influences. It is difficult to know whether the fact that half the men are over 50 would be in BRB's favour or not. They may be more concerned not to jeopardize their jobs, but may equally be more able to cope with the financial strain of a stoppage.

26. The ability of BRB to endure any industrial action will depend on the Government's attitude to the consequences for BRB's finances. As an industry permanently dependent on grant they are kept on a very tight rein with little room to manoeuvre. The railways' finances are in difficulties already (see ANNEX IV). A £40m overshoot of the 1981/92 EFL of £920m is now expected, and there will be continuing net revenue losses in 1982/83 (at least £50m) resulting from the January/February industrial action. The EFL of £950m for 1982/83 was going to be very difficult to achieve even before the recent losses, but the Board have been told that they are expected to absorb the losses within the £950m figure. It is doubtful whether the Board could absorb the losses resulting from further industrial action.

27. The Board would also face severe cash flow difficulties in the event of further industrial action. More temporary borrowing could be necessary at an early stage, and a point might be reached where the Government had to provide cash-flow deficit grants, with a correspondingly increased responsibility for business decisions.

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In the event of a total strike, Ministers would need to consider suspending the PSO grant paid for passenger services. (See ANNEX IV.)

28. The effect of a prolonged shutdown on coal stocks at power stations is described in a separate paper. The direct effect of a rail strike on other industries is described in ANNEX VI. The areas which would be most seriously affected are iron and steel and chemicals. But individual firms in other sectors might also be seriously affected where oil supplies were disrupted. However, further consultations with industry will be required, in the case of chemicals and oil supplies in particular, before the extent of disruption and its consequences can be accurately assessed.

29. The previous dispute did not appear too disruptive to people travelling to work or on business, but the spirit shown by London commuters in the recent dispute cannot be taken for granted. The effects were quite severe for many who rely on BR. Companies paid for some to stay in hotels, at considerable cost; others slept in offices; yet others faced hours of travelling by road, sometimes taking 3-4 hours each way. Given a complete shutdown, many could find the disruption extremely trying. Their willingness to bear with the inconvenience would be linked to their conviction that the Board would win the dispute. A defeat for BR, after further industrial action, would arouse anger with the Board, and probably the Government.

30. A complete stoppage would be cheaper than intermittent strikes for the Board (costing some £6m a week rather than £14m in the recent dispute - see ANNEX IV). But unless the Board felt confident of the Government's financial backing in a further confrontation, they might see themselves in a "no winner" position and throw in their hand.

31. A complete shutdown might force ASLEF members to give in more quickly, and so the Board would stand to lose less in the short-term. But the long-term effects on traffic, particularly freight, would be severe.

32. The Board will certainly consult Ministers before taking action to convert intermittent industrial action into a full-scale stoppage. Ministers will want a full assessment of the prospects of a Board victory; the Board may want assurances about financial backing. This could be important for wider reasons. If the short-term financial penalties of fighting a strike are all visited on the industry, other nationalised industries' management may be quick to draw the moral.

33. This suggests that the factors improving the prospects of BRB bringing an all-out stoppage to a successful conclusion are a clear issue on which they can be seen by the public as substantially in the right, NUR (and, if possible, TUC) support, firm and clear

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backing from the Government, and as good communication with the men as can be achieved. A refusal by ASLEF to give up the 8-hour day despite arbitration recommendations that they should do so could provide such an issue. But the BRB would need assurance of full and continuing Government support, financial and moral.

PART IV - COMMUNICATIONS WITH BRB

34. Ministers will want to minimise the risk of misunderstanding, particularly seeing that the Board's prospects of success may depend in part on the promptness and firmness with which they act. So Ministers may wish to ask for clear proposals from BRB if they contemplate actions that could lead to further industrial action, covering:-

- the issue on which they will stand
- the support they expect from NUR and others
- plans for communication with the men
- estimate of likely length of the stoppage
- likely exits from a strike

It would follow that BRB would need to handle matters as far as possible so as to give Ministers time for consideration.

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BRITISH RAIL - ASLEF DISPUTE

ANNEX I

FLEXIBLE ROSTERING

Brief History

1. When the 1981 pay settlement was agreed last August, the Unions undertook to negotiate the introduction of 6 productivity measures. These productivity measures were related to the commitment in the 1980 pay settlement to introduce the 39-hour week at minimum cost to the Board. Flexible rostering was one of these measures, and negotiations about it were supposed to have been concluded by 31 October. From the start, ASLEF refused to move from the principle of an 8-hour day. They also argued that the wording of the agreement committed them only to negotiate about flexible rostering, and did not commit them to introducing it.

2. The BRB reached an agreement with the NUR and TSSA in December 1981, but had still made no progress with ASLEF. Rather than pursue the issue through the railways' negotiating machinery, they decided to confront ASLEF on the grounds that ASLEF had not honoured their agreement to negotiate arrangements for introducing flexible rostering. Since BRB saw the pay and productivity agreements as linked, they therefore withheld the 3% of the August agreement due to be paid in January (and backdated to 1 August) from ASLEF members. At the same time they deferred implementation of the 39-hour week (which was to be brought in in January) for ASLEF members.

3. ASLEF contested the agreements were not formally linked and that they had honoured the one on productivity. They organised intermittent strike action against their members not being paid the 3%. ACAS appointed Lord McCarthy to arbitrate on the dispute in February when BRB and ASLEF remained locked in conflict. BR gave evidence to this inquiry, but ASLEF refused on the grounds that its terms of reference should be solely concerned with the August pay agreement and contain no reference to productivity, which was an entirely separate issue.

4. Lord McCarthy recommended that BRB should pay the 3%, ASLEF resume normal working, and that negotiations should be resumed on flexible rostering. He laid down a timetable for taking the issue through the negotiating machinery at an accelerated rate if agreement could not be reached and terms of reference for eventual arbitration. Meanwhile, introduction of the 39-hour week would be deferred for ASLEF members.

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What is flexible rostering?

5. At present, drivers have an agreement entitling them to work 5 eight hour shifts each week between Mondays and Saturdays. (Sunday and rest-day working is additional to the standard week, and in railway terms is not referred to as overtime.) In practice, drivers are rarely working for the full 8-hour period because timetable requirements do not fit this shift pattern. But drivers are paid for at least 8 hours, whatever the actual time worked. It is the guaranteed 8 hours' pay per shift that ASLEF have so far refused to give up. BRB wants shifts to last for between 7-9 hours, averaging out at 39 hours per week. The Board would still be guaranteeing a minimum 39 hours' pay a week.

What will flexible rostering cost ASLEF members?

6. British Rail do not expect the introduction of flexible rostering to have very much effect on the take-home pay of drivers. Flexible rostering should allow them to bring in the 39-hour week without adding to the overtime worked. At present BR drivers work on average only 58 minutes overtime a week. If all rostered overtime were worked at normal rates by longer turns, the gross pay reductions would average less than 60 pence per week. But some unrostered overtime could increase (where trains run late, and so beyond the rostered turn).

7. BR's view is that ASLEF members' concern is not about loss of earnings but about the loss of "easy" turns. At present a driver, when signing on for a turn, is guaranteed 8 hours' pay. If the rostering arrangements mean that he can be scheduled to operate trains for only the first $6\frac{1}{2}$ hours of an 8-hour turn, then his supervisor may send him home after $6\frac{1}{2}$ hours, but he will be paid for 8 hours. In future, such turns would be reduced to 7 hours, and an hour of work would be added to other turns.

Implementation of flexible rostering

8. The arrangements already agreed with NUR provide for local (ie depot) negotiation on the new rosters. If agreement cannot be reached locally, there is an arrangement for outstanding problems to be referred up to the sectional council. If agreement cannot be reached there, then the Board have made it clear to NUR that they reserve the right to implement the new rosters. So far nearly 70% of guards' depots have agreed the details of the new rosters.

Financial and manpower effects of introducing flexible rostering

9. BR have not given any separate estimates of the financial benefits from flexible rostering because it has always been linked with the introduction of the 39-hour week. Flexible rostering has been seen as the minimum cost way of introducing the 39-hour week. Without flexible rostering BR estimate that introduction of the 39-hour week would cost them £5m a year in extra staff costs for footplate staff, and require about 500 additional posts.

10. The most recent figure available for footplate staff is 24,167

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on 6 February 1981. (This included drivers, drivers' assistants and trainees.) Flexible rostering and a shorter working week, BR say, would mean little change to this figure in the future. The Department of Transport have estimated that there might in fact be some 1,000+ job reductions. (This would also mean greater financial benefits than BR have revealed. BR are probably under-stating these for tactical reasons.)

11. BR plan that over a 5 year period perhaps 4,000 footplate jobs will be lost as a result of the package of productivity measures and business changes. This 4,000 is part of a larger figure of 38,000 total reduction in railway staff over the 5 years. Because the main savings on footplatemen are caused by the single manning proposals, it is envisaged that assistant drivers would probably be reduced at a faster rate than drivers, but BR cannot quantify this.

Terms of reference for RSNT arbitration on flexible rostering

12. Negotiations in RSJC (Loco) and RSJC have been unsuccessful. The issue will now be put to the RSNT, probably on 15,16 March in the following terms:-

"To ask the Railway Staffs National Tribunal ... to consider ... the proposals of the British Railways Board for the implementation of sub-paragraph 2(c) of the 1981 Productivity Understanding to footplate staff and to award".

Sub-paragraph 2(c) reads:-

"Negotiations shall take place to establish variations to the rostering agreements with a view to introducing some flexibility around the 8-hour day, but without producing unreasonable variation in the length of each working day or week."

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BRITISH RAIL - ASLEF DISPUTE

ANNEX II

FACTS ABOUT ASLEF

The Union

1. ASLEF is a small Union with a declared membership of 27,000 at end 1980. The Union represents the vast majority of BR's drivers, their assistants and trainees, about 24,000 in all, as well as about half of London Transport underground train drivers. Of BR drivers, only some 1,600 are members of the National Union of Railwaymen (NUR) but about 280 of these are thought to have dual membership with ASLEF.

2. The Union is tight-knit with a nine man executive, of whom only seven are active (one vacancy and one sick), representing nine district councils and two hundred and fifty branches. The General Secretary, Ray Buckton, is not a voting member of the executive. Executive committee members are elected for a three year term of office by a block voting system at district council level. The full time officials are also elected. The Executive Committee is left wing orientated, has the power to order industrial action including a strike, and any withdrawal of labour must have their consent. An annual assembly or 'special assembly' of delegates can also control industrial action.

ASLEF membership in BR

3. ASLEF represents about 90 per cent of drivers. The average age of drivers on BR is high: over 32 per cent are aged 55 or over and over 50 per cent are aged 50 or over.

Earnings and financial effect of action

4. The drivers earn relatively good wages, with mileage bonuses and unsocial hours payments, although trainees and assistants, who represent about 25 per cent of ASLEF members in BR, earn less.

5. ASLEF does not pay strike pay. Broadly speaking, drivers were losing about 40 per cent of normal pay at the recent level of industrial action. Typical figures are:

	<u>Gross</u>	<u>Take Home</u>
Normal average excluding Sunday	£134	£94
Normal average including Sunday (35% of drivers per week)	£172	£119
Estimated average for week with two strike days and no Sunday work	£84	£62

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This represents an average weekly net loss of £40.

About 70 per cent of drivers are weekly paid, but 30 per cent are four-weekly paid.

6. In an all-out strike, the average weekly net loss would be just over £100. In the new tax year, there would be no tax rebates.

7. Although information is scant, many ASLEF members are thought to have some supplementary income, and many probably have working wives.

ASLEF members' attitudes

8. Very little is known about the attitudes of the individual members of ASLEF. Because of the nature of the work - driving trains away from depots - BR management has little daily contact with the membership. The drivers merely clock on and off at the start and finish of the shift, and they enjoy considerable autonomy, eg to swop shifts, etc without management interference. Unlike the miners and steelworkers, ASLEF members live amongst the general community which (London commuters apart) is not greatly affected by the strike and cannot be relied on to put pressure on them. Their distribution right across the country and their working pattern makes it difficult to sound out their views through opinion polls, etc.

9. From the little that is known about ASLEF members' attitudes, they appear solidly behind their leadership. The best assessment by BR management in the recent stoppages was that their primary worry was about their current financial loss, and the threat of losing advantageous working practices such as shift switching. The possibility of job losses does not appear to concern them, nor does the financial damage to the railways; nor do they mind ASLEF's isolation. Their attitude is one of considerable loyalty to their leadership. However, the ASLEF membership were conducting the dispute on a fairly low key basis - little random disruption and little evidence of awkward tactics or non-co-operation with management on working days, eg leaving trains in the wrong place. BR reported that resolutions received by the ASLEF executive from branches showed votes of 80/20 against an all out strike.

ASLEF leadership and Officials' attitudes

10. The left wing ASLEF leadership were solidly against the BR stance and voted by only 4 to 3 against an all out strike. There is no evidence of dissension at lower levels among officials of the Union. The districts are believed to vary in their attitudes, the Midlands being felt to be more moderate than say Scotland. The only open opposition to the strike is from a few well known maverick members.

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Trades Union Relationships

11. BR operate a closed shop for all staff other than management and senior officers. This is strictly enforced. Under TUC auspices, a Railway Federation of Unions was formed last year. This has two parties, NUR and ASLEF (TSSA decided against joining). One of the most important features of this co-operation is an agreement designed to end poaching and competition for members in BR. The NUR is no longer to recruit 'staff within the existing line of promotion to train driver' and is to encourage NUR members entering this line of promotion to transfer to ASLEF. Thus, effectively the existence of the NUR driver may die out, with the agreement of the NUR.

12. Although the Railway Federation of Unions was formed last year, relations between the NUR and ASLEF are not, and never have been, good.

13. The relationship of unions affiliated to the TUC on organisation and membership issues is governed by recommendations adopted at the Bridlington Congress in 1939 ("the Bridlington Agreement"). These provide that there should be agreements between unions on 'spheres of influence' and transfers of members; that no member of an affiliated union should be accepted into membership of another without inquiry if the first union objects; and that no union 'shall commence organising ... in respect of any grade of worker ... in which another union has the majority of workers employed and negotiates wages and conditions, unless by arrangement with that union'. The TUC's rules provide for a mandatory inquiry into any dispute between unions on such issues and for the suspension and finally expulsion of any union which does not observe the TUC's findings. There can be little doubt that the TUC would rule against the NUR if it recruited ASLEF members or sought to extend its organisation of train drivers employed by BR. In any case, it is highly improbable that Sid Weighell could be persuaded to do so and, even if he were, that the NUR Executive which has become fairly left wing would agree to be party to the destruction of another union.

Redundancy arrangements

14. BR already has a redundancy scheme which, whilst not as generous as the coal and steel schemes, pays substantially above the statutory minima. In the first 36 weeks of 1981, some 3,335 BR employees took redundancy at a cost of £18m. Maximum payment under the scheme is £20,000 and the average payment is £6,000. However, the basic problem is not one of persuading BR drivers to leave, but is one of actually reducing the number of jobs. This reduction depends on the negotiations to change rostering rules and train manning agreements, etc, as well as on changes that will reduce the number of trains being run. In any event, given the age profile of the ASLEF membership, natural wastage will reduce driver numbers fairly rapidly over the next few years unless there is a significant increase in the number of new recruits.

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BRITISH RAIL - ASLEF DISPUTE

ANNEX III

COMMUNICATIONS WITH STAFF

1. This annex summarises a note provided by BRB of their efforts to communicate the benefits of flexible rostering to staff.

Before the Dispute

2. BRB wrote to all staff in August stressing the importance of the productivity measures, and the August and September editions of their house magazine "Rail News" carried major articles describing the various productivity initiatives in general terms. Local managers were also given information so that they could explain to staff the outline proposals. Under agreements with the unions, detailed descriptions of changes in working conditions and their benefits can only be given to the men after agreement on the principles has been reached at national level. (NB. The Board rely heavily on the unions to do this, and NUR have been striving hard to inform their members and keep them in line.)

During the Dispute

3. Personal communication with ASLEF members is difficult in normal conditions because drivers are dispersed through many depots and most of their working hours are spent away from them. During the dispute, ASLEF barred formal contacts locally between managers, supervisors and drivers. Also ASLEF mounted a fierce campaign against flexible rostering through union channels.

4. The Chief Executive wrote 3 letters in January (two to all staff, one to drivers only), describing flexible rostering and its benefits. A leaflet for all footplate staff was also distributed to all depots. There were special articles in "Rail News".

Face to Face Communications

5. Local managers have been provided with a series of management briefs about flexible rostering, and sample rosters have been circulated for display at depots. (How far local managers have been able to talk to drivers is not clear.)

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Conclusion

6. BR claim that staff are understanding how flexible rostering will affect them much better as a result of their continuing efforts to inform them, and that this is leading to a greater level of acceptance. But rosters are worked out individually at each depot, and each can take a month to produce. Until staff see how specific rosters affect them, they will not fully understand its effects.

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BRITISH RAIL - ASLEF DISPUTE

ANNEX IV

BR'S FINANCIAL POSITION

1981-82

1. Following the ASLEF dispute, the Board is expected to overshoot its 1981/82 EFL of £920m by £40m. The Secretary of State for Transport announced on 4 March that there would be a corresponding reduction in the 1982-83 EFL, and that to allow time for all the necessary adjustments to be made, the temporary borrowing limit would be increased from £110m to £150m.

1982-83

2. The Board's budget for 1982 implied an external financing requirement for 1982-83 £40m above the EFL of £950m. They have been examining the ways in which this excess is to be avoided. The strike in January and February has added substantially to the problems they will have to deal with, since they will have to offset both the overshoot of £40m on the 1981-82 EFL, and contain the continuing net loss of revenue resulting from the strike, which is estimated to be at least £50m during the year. This will require stringent economies, possibly higher and earlier fare increases and accelerated sales of assets.

Consequences of further dispute

3. The immediate loss of net revenue resulting from the 6 week disruption in January and February was some £75m. Further disruption on the same pattern of strikes on three separate days would cost some £14m a week in immediate losses of net revenue over and above the cost of running the railway normally. The additional immediate losses from total closure would be less - about £6m a week (see Appendix).

4. Any form of sustained industrial action, but particularly a total closure, would have severe continuing effects on the business. The effect on freight traffic would be particularly serious. It is very doubtful whether the cost of any further disruption could be contained within the EFL.

5. A further strike would have immediate implications for the Board's cash position, which is already under strain. Without Government backing, the Board could not afford to withstand any prolonged industrial action. This could be given by authorising a further increase in the temporary borrowing limit and, if necessary, backing for the Board's other debts. But the

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Board's debts could not be allowed to mount indefinitely, and it would be necessary to keep under review whether the proper course would be to cease lending. In that event, the only practical course would be for the Government to make cash flow deficiency grants to enable the Board to meet its obligations. (That might require legislation.) It would be for consideration whether the operation of the PSO grant system should be suspended.

6. The railway financial review, which is expected to get under way shortly, will have to consider the effect of the ASLEF dispute on the Board's finances, in addition to the underlying problems of rising costs and business performance which had already become apparent last year. The report of this review will form a basis for Ministers to reach final decisions on the 1982/83 EFL, on the longer term policy and financial issues. It may, however, be necessary once the results of the present negotiations are known and before the review is completed, to take interim decisions to maintain a satisfactory financial regime for the shorter term.

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APPENDIX TO ANNEX IV

COST OF ASLEF DISPUTE

	£m per week		
	(1) normal operation	(2) 3-day strikes	(3) close rail- way, pay non-ASLEF basic rates
Revenue	34	15-18	0
Wage costs:			
ASLEF	3.5	2	0
non-ASLEF	26	25	17
Total	<u>29.5</u>	<u>27</u>	<u>17</u>
Fuel (for trains)	4	2.5	0
Other costs			
(incl rent, rates, police and materials)	16	16	4.5
depreciation	<u>2.5</u>	<u>2.5</u>	<u>2.5</u>
Total costs	52	48	24
Trading loss before interest & grant	18	30-33	24
Deterioration on normal operation, and there- fore on EFL		12-15 (say 14)	6

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BRITISH RAIL - ASLEF DISPUTE

ANNEX V

BR: PAY 1982/83

The Claim - 1982/83

1. The Unions have submitted formal claims for a "substantial increase" in the current pay round. The settlement date is 19 April 1982.

The Board's Position

2. The Board's present plan is not to make any offer while the current issue on flexible rostering is outstanding. The pay assumption underlying the Board's 1982 budget is for an average increase in basic rates of 5½%. With this assumption the Board's total pay bill increase in 1982/83 would be about 5%, given on the one hand the costs in 1982/83 of other-flow-through effects of earlier settlements, and on the other the budgetted manpower reductions. The 5½% on basic rates represents a standard award of 4½% plus 1% representing specific payments to those directly affected by the productivity changes resulting from the 1981 pay settlement. Clause 3 of the 1981 understanding on productivity stated: "It is re-affirmed that specific rewards will be negotiated for those staff whose responsibilities are directly affected under these agreements". In their evidence to the recent McCarthy Committee of Inquiry the Board said: "If in the event variable day arrangements more than offset the cost effect of the shorter week, then, as was made clear in Traffic section negotiations and in keeping with Clause 3 of the ACAS understanding the Board would examine the possibility of recognising this in benefits to the groups concerned".

The Pay Settlements in 1980/81 and 1981/82

3. The 1980 pay award was agreed between the Board and the Unions at RSNC. The original settlement was 16% from 21 April 1980 plus 4% from 30 June 1980. Following an objection from the NUR it was finally agreed that the full 20% should be paid from 5 May 1980. RSNT was not involved and indeed had not been involved in general pay settlements between 1975 and 1981. In April 1981 the Board offered 7% at the RSNC. The Unions referred the claim unilaterally to RSNT (the decision was not therefore binding) which recommended an 8% pay increase from 20 April 1981 and a further 3% from 1 August. The Board offered to implement the 8% rise from the recommended date and to apply the 3% from a date to be agreed provided there was evidence of a commitment to specified initiatives to increase productivity. This led to a breakdown of negotiations

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and notice of an all-out strike by NUR and ASLEF from 31 August. Subsequent events led to the recent recommendations of the ACAS Committee of Inquiry under Lord McCarthy and the negotiations following those recommendations are still in play.

The likely course of the 1982 pay settlement

4. Even on the assumption that the RSNT recommendations on flexible rostering are in the Board's favour and acceptable to ASLEF it remains unlikely that the Board will be able to make an offer which meets the aspirations of the Unions for a "substantial" increase. The railway staff settlement comes at the end of the pay round. A number of settlements in the public trading sector in the current round are round about 7.5%. The following table sets out settlement in selected industries for 1980, 1981 and 1982. The percentages represent the increase in average earnings and not the increase in the wage bill, which is affected by actual manpower figures. It should be noted that the settlement for railmen is virtually the last in the pay round and runs from April to April.

	<u>1980</u>	<u>1981</u>	<u>1982</u>
Miners	18%	9.7%	7.4%
Water workers	21.4%	12.3%	8.8%
LTE Busmen	20%	11.5%	
NBC Busmen	18.5%	7.5%	6.6%
Municipal Busmen	19.5%	7.5%	7.8%
Electricity supply manuals	18%	11.7%	(5½ to 7% offer rejected)
Gas supply manuals	18%	11.7%	(6.8% offer)
Railmen	19%	11%	-

In the private sector comparable figures are:-

Manufacturing industries (average)	17%	9%	6%
Non-manufacturing industries (average)	19.5%	9%	7%
Weighted average	18.5%	9%	6.5%

It should be noted that although the 1980 pay settlement for railmen was 20% this applied exceptionally from a start date of 5 May 1980 until 20 April 1981 and worked through as 19% on average earnings for the year. The increase in the BR bill for wages and associated costs for 1980/81 worked out at 18.7%. The increase in the BR bill for 1981/82 will, on the very latest estimate, work out at 7.9%. The 11% increase was in two parts - 8% for the whole year and 3% payable from the beginning of January 1982 backdated to the beginning of August 1981. The wage bill in 1981/82 will have been reduced as a result of the considerable drop in manpower numbers. In the last two pay rounds, public sector pay generally increased by 29.2% (calculated by inclusion of the rail settlements) while rail pay in isolation rose by 33.2%.

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5. In theory it could be argued that BR would have to raise basic rates by only 4.3% in order to match the cumulative level of settlements elsewhere. But the rail Unions will no doubt argue that their pay in the periods before 1980 had been artificially depressed by the previous administration's incomes policies. The table in the Appendix to this Annex of average weekly earnings of full-time men (in the top 25 categories) shows the extent to which railwaymen have fallen in the pay league since their high point in 1976 albeit showing a slight recovery following the 1980 pay settlement.

6. If the Board's offer for 1982 does not satisfy the Unions and negotiations within RSNC fail, there could again be a unilateral reference by the Unions to the RSNT with a non-binding recommendation purely on the amount to be paid.

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BRITISH RAIL - ASLEF DISPUTE

APPENDIX TO ANNEX V

AVERAGE GROSS WEEKLY EARNINGS: FULL-TIME MEN

	<u>April 1981</u>	<u>April 1980</u>	<u>April 1979</u>	<u>April 1976</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
1. Coalface workers	165.3	153.6 (1)	126.7 (1)	80.7 (3)
2. Print compositors	164.2	132.0 (7)	109.8 (7)	74.3 (8)
3. Steel erectors	162.9	141.8 (3)	116.1 (4)	81.6 (2)
4. Print machine minders	155.2	131.2 (9)	106.5 (9)	70.9 (21)
5. Dockers	153.8	146.5 (2)	125.6 (2)	83.5 (1)
6. Gas fitters	150.7	131.6 (8)	96.8 (-)	72.6 (15)
7. Electricity workers	150.7	138.2 (4)	105.6 (12)	74.4 (7)
8. Site electricians	143.9	133.6 (6)	113.8 (5)	76.0 (5)
9. Print machine assistants	140.6	120.7 (21)	111.4 (6)	71.1 (20)
10. Maintenance fitters	140.4	128.7 (11)	106.2 (10)	72.9 (12)
11. Electricians	138.6	127.4 (12)	103.1 (18)	72.4 (16)
12. Chemical workers	137.3	125.5 (13)	104.8 (15)	72.6 (14)
13. Seamen	136.4	134.1 (5)	117.0 (3)	73.5 (11)
14. Cable linesmen	135.1	110.9 (-)	94.1 (-)	65.4 (-)
15. Crane drivers	135.1	123.6 (14)	105.8 (11)	73.6 (10)
16. Platers/shipwrights	134.6	120.7 (20)	105.4 (13)	76.2 (4)
17. Skilled welders	133.9	121.8 (17)	105.0 (14)	74.1 (9)
18. Heating fitters	133.7	121.0 (19)	98.7 (25)	63.8 (-)
19. Train drivers, motormen	132.9	115.2 (-)	98.9 (24)	74.5 (6)
20. Plumbers and pipefitters	132.9	118.6 (23)	99.4 (23)	68.5 (-)
21. Bus and coach drivers	131.6	117.4 (24)	93.1 (-)	71.6 (18)
22. Signalmen/shunters	130.6	114.4 (-)	95.8 (-)	72.8 (13)
23. Ambulancemen	130.3	129.8 (10)	86.5 (-)	71.3 (19)
24. Lorry drivers	127.8	120.1 (22)	100.8 (19)	67.5 (-)
25. Electrical fitters	127.7	106.2 (-)	91.3 (-)	72.0 (17)

NB. Figures may be affected by the timing of wage settlements, for example the April 1981 figure does not reflect the BR April 1981 wage settlement. Figures in brackets denote previous rankings. Foremen and supervisors are excluded.

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Source: DE New Earnings Survey

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BRITISH RAIL - ASLEF DISPUTE

ANNEX VI

THE IMPACT OF A RAIL STRIKE ON INDUSTRY AND COMMUTERS

Industry

1. Rail transport now accounts for only a small proportion of total freight movements. Thus in general an all-out rail strike, even if prolonged, is more likely to cause inconvenience and additional costs to manufacturing industry as schedules are disrupted and goods are switched to road transport, than major reductions in output. But in those areas where oil supplies could be disrupted (see paragraph 5 below), some firms could be seriously affected.

2. The industrial sectors where an all-out rail strike would probably have a severe impact are iron and steel production and chemicals. These are discussed below. The impact on power station coal stocks is the subject of a separate report.

Iron and Steel

3. The major iron and steel works are designed to be served by rail, and it would therefore be difficult for road transport to move the volume of material required to sustain production. Moreover, even where steel production could be continued, past experience indicates that it would be more economic for BSC to reduce or suspend production than to continue to make steel for stock. Thus an all-out rail strike could have an immediate and serious effect; within a week production might be halved, and by the end of four weeks BSC might well have virtually ceased production. Private sector steel production would also be seriously affected by the lack of scrap supplies and of semi-manufactures from BSC. But the impact on manufacturing industry would be very much less severe because stocks are high (at the end of December 1981 stock were sufficient for 15 weeks current consumption) and because imports, which account for 25 per cent of United Kingdom steel consumption, should still be available.

Chemicals

4. Certain major chemical companies rely on the railway for bulk carriage of basic chemicals as part of the process of distribution to industry. The vehicles required are specialised, and it is therefore impossible for most of this traffic to be transferred to road. The levels of stocks of these chemicals held at distribution points is not known, but production could be affected after a week or so. Without consulting industry it is also impossible to assess how serious the knock-on effects might be, but since the disruption of inter alia industrial gases would be disrupted, the effects could well be serious.

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BRITISH RAIL - ASLEF DISPUTE

ANNEX VI

THE IMPACT OF A RAIL STRIKE ON INDUSTRY AND COMMUTERS

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SECRET

Transport

cc JV



Prime Minister (2)

mes 10/3

Treasury Chambers, Parliament Street, SW1P 3AG

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

9 March 1982

D Davis

MB

REVIEW OF BRITISH RAIL FINANCES

Thank you for your letter of 4 March setting out revised terms of reference for the Review of Rail Finances.

I welcome the changes which you suggest and agree that we should now make clear that policy changes are not ruled out.

However, I wonder whether in redrafting the concluding passage in the terms of reference, this has not got too compressed. What we want the Review Chairman to cover in his recommendations is both measures necessary to secure an improvement in the present set up and to generate options for a change in policy. Perhaps this might be done by amalgamating the two versions so that the concluding passage reads as follows:-

"And to identify measures necessary to secure an improvement in business results, together with possible changes in objectives."

I am copying this letter to the Prime Minister, Sir Robert Armstrong and Mr Ibbs.

Lew

A handwritten signature, likely 'Lew', enclosed in a circular scribble.

LEON BRITTAN

110 MAR 1982





CC HMT
CO
CPRS
GC AW

He

10 DOWNING STREET

From the Private Secretary

8 March 1982

Review of BR finances

Your Secretary of State sent to the Prime Minister a copy of his letter of 4 March to the Chief Secretary.

The Prime Minister suggests that the first sentence be shortened somewhat, and that the reference to "the policies stated by the Government" be omitted on the grounds that it is unduly restrictive. The opening clause would, then, be as follows:

"The object is to review the finances of the railway and associated operations in the light of the British Railways Board's statutory duties; the rising . . . "

I am sending a copy of this letter to John Kerr (H.M. Treasury), David Wright (Cabinet Office) and Gerry Spence (CPRS).

M. C. SCHOLAR

Anthony Mayer, Esq.,
Department of Transport.

A

Prime Minister

5 March 1982

MR SCHOLAR

This seems a good idea.

Agree?

MCS 5/3

*Very good
mt*

cc Mr Walters
Mr Hoskyns
Mr Vereker

REVIEW OF BR FINANCES

1. You asked whether we had any comments on the revised terms of reference for this review, as set out in Mr Howell's letter of 4 March.

2. We think the revision is an improvement. But the reference to "the policies stated by the Government" in the second and third lines could be restrictive since, as you know, earlier statements have implied a commitment to maintain the railway in broadly its present form. We therefore think it would be preferable to delete this reference. In fact the opening clause could be reduced to the following:

X ("The object is to review the finances of the railway and associated operations in the light of the British Railways Board's statutory duties; the rising . . . "

3. The deletion of references to stated policies and a slightly briefer reference to the statutes would be rather less restrictive, suggesting a more fundamental review.

ANDREW DUGUID

CONFIDENTIAL

JK JV
AD



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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

Andrew Dignid

As a last act pl wd;

4 March 1982

you offer advice on
these words?

MUS 5/3

Dear Leon

REVIEW OF BR FINANCES

My minute to the Prime Minister of 1 March said that we would need revised terms of reference for the review of rail finance. The aim would be to bring out more clearly the issues we must now face in the light of the ASLEF dispute.

I would now propose the following terms of reference. I have underlined the changes to the original terms.

"The object is to review the finances of the railway and associated operations in the light of the policies stated by the Government towards the British Railways Board and of the public service obligation imposed under the Railways Act 1974 and the Board's other statutory duties; the rising losses of the Board on its rail operations; the short and long term effects on the Board's financial position of the recent industrial dispute; the Board's concern about the adequacy of expenditure on renewal of the assets of the railway; and the Board's plans for improving business results; and to identify possible changes in objectives that would help to secure an improvement in business results."

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I hope these amendments will make it clear that we are ready to consider seriously policy changes for BR rather than accept an ever-continuing increase in financial support.

I am copying this letter to the Prime Minister, the
/ Chancellor of the Exchequer, Sir Robert Armstrong and
Mr Ibbs.

Yours ever

David

DAVID HOWELL

CONFIDENTIAL

4 MAR 1982



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be waiters
veneker
Ingham

10 DOWNING STREET

From the Private Secretary

4 March 1982

British Rail : Temporary Borrowing Limit

Many thanks for your letter of 3 March to which was attached a draft Question and Answer on the decision to increase British Rail's temporary borrowing limit.

The Prime Minister is content with this draft.

I am copying this letter to Terry Mathews (Chief Secretary's Office) and David Wright (Cabinet Office).

M. C. SCHOLAR

Anthony Mayer, Esq.,
Department of Transport.

CONFIDENTIAL

R



Transport
cc Coal File
bc Ingham
Vencker
Rail

10 DOWNING STREET

Transport

From the Private Secretary

3 March, 1982

Dear John,

I am writing to confirm that the Prime Minister is holding a meeting on Monday, 15 March at 1515 hrs at 10 Downing Street to discuss coal and the railways. The Chancellor will be represented by the Chief Secretary and it is possible that the Secretary of State for Defence will not be present.

I am copying this letter to John Kerr and Terry Mathews (HM Treasury), David Omand (Ministry of Defence), Jonathan Spencer (Department of Industry), Barnaby Shaw (Department of Employment), Julian West (Department of Energy), Anthony Mayer (Department of Transport), Muir Russell (Scottish Office), Robin Ibbs, David Wright and Robert Wade-Gery (Cabinet Office).

Yours sincerely
Caroline Stephen

John Halliday, Esq
Home Office

dl

CONFIDENTIAL

de MAP

AW
JV

BT



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Prime Minister ①

Agreed me

Content with draft

Statement? It could be

3 March 1982

toughened up, with e.g. a
reference to asset disposal;

but in reflection, that

would draw attention to it
- which you may think it better
to avoid.

MCS 3/3

Michael Scholar Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

Dear Michael,

Thank you for your letter of 2 March recording yesterday afternoon's meeting between the Prime Minister, my Secretary of State and the Chief Secretary about British Rail.

I attach a question and proposed answer on the decision to increase BR's temporary borrowing limit. It has been agreed between my Secretary of State and the Chief Secretary. The question is down for answer tomorrow. I would be grateful for your confirmation that the Prime Minister is content with the proposed answer.

I am copying this to Terry Mathews and to David Wright.

Yours,

Anthony Mayer

R A J MAYER
Private Secretary

CONFIDENTIAL

CONFIDENTIAL

To ask the Secretary of State for Transport: What effect the recent strikes on British Rail have had on the Board's financial position, what action does the Government propose to take, and if he will make a statement.

The Board estimate that the immediate net loss of revenue caused by the strike has been some £75m. It would be quite wrong to meet this loss at the taxpayers' expense. But it is bound to take time for the British Railways Board to make all the necessary adjustments to deal with the problem it presents. I have accordingly increased the Board's temporary borrowing limit from £110m to £150m. It is likely that the external financing limit for 1981/82 will now be exceeded. To the extent that this occurs, there will be a corresponding reduction in the external financing limit already announced for 1982/83.

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file

cc ZG
DT

SD

10 DOWNING STREET

THE PRIME MINISTER

2 March 1982

Dear Geraint,

Thank you for your letter of 29 January in which you criticise the British Rail management's part in the events which led up to the present rail dispute. You also referred to the recent allegations of malpractice by some British Rail staff.

I agree that recent events have shown the need for agreements on productivity to be crystal clear and not capable of differing interpretations. The need for higher productivity is greater than ever, and we must all hope that the Board gain their objective next month.

I too am concerned about the recent allegations of malpractice by some British Rail staff. I think the Board have adopted the right course in setting up an investigation so they can quickly find out the facts. You will, I am sure, agree that it would be unwise to make any judgements until the facts have been established

Yours sincerely,

(sgd)

MT

Geraint Morgan, Esq., Q.C., M.P.

B/R

CONFIDENTIAL

MFJ/DS



bc Mr. Walters
Mr. Vereker
Mr. Rickett

10 DOWNING STREET

From the Private Secretary

2 March 1982

British Rail: Temporary Borrowing/Review of Finances

The Prime Minister held a meeting this afternoon with your Secretary of State. The Chief Secretary, Treasury, was also present.

The Prime Minister said that there must be no implication that the taxpayer was being landed with the costs of the recent ASLEF dispute. Your Secretary of State agreed that it must continue to be made clear that the costs of the ASLEF dispute were having a real impact on BR's financial position; and that the Government should take no action which would be seen to be an accommodation of the Board's difficulties. It would also be important to avoid any action that would make Sir Peter Parker's position more difficult in the weeks ahead. On the specific suggestions in my letter to you of 1 March, your Secretary of State said he appeared to have no power to purchase assets from the Board. There were also difficulties about the propriety of making an advance payment of next year's specific passenger grant.

After discussion it was agreed that attention should be focussed on BR's EFL. On present information, it appeared likely that they would exceed their present EFL by some £40m, largely as a result of the effects of the ASLEF dispute. The Government should say that it was prepared to increase the 1981/82 EFL by an amount of this order, on the assumption that an equal amount would be deducted from the already announced 1982/83 EFL. Against this background an increase in the temporary borrowing limit could be agreed. It could be done by a written answer later this week. This course of action was no more or no less tough than that which applied to Departments' cash limits; and it should strengthen Sir Peter Parker's hand in the forthcoming pay negotiations. It should at the same time be made clear that, if the reduced 1982/83 EFL was inadequate for BR's purposes, it would be necessary for them to accelerate their asset disposal programme.

The discussion then turned to your Secretary of State's minute of 1 March about the review of British Rail's finances.

/It was

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It was agreed that your Secretary of State would approach in the first instance Sir Maurice Hodgson to run the forthcoming review of British Rail's finances. As an alternative Sir David Orr of Unilever might be approached. It was also agreed that Mr. Alfred Goldstein, and perhaps also Mr. Christopher Foster, might be invited to serve on the review board.

I am sending copies of this letter to the Private Secretaries to the Chancellor of the Exchequer, the Chief Secretary, the Secretaries of State for Employment, Industry and Trade and to Sir Robert Armstrong.

M. C. SCHOLAR

Anthony Mayer, Esq.,
Department of Transport.

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PRIME MINISTER

cc: Mr. Hoskyns

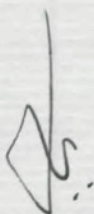
BRITISH RAIL'S TEMPORARY BORROWING

Your meeting this afternoon will look at the two proposals you made in response to Mr. Howell's request for authority to exceed BR's borrowing limit:

- (i) "Distress sales" of assets: but time is very short, and buyers are apparently few.
- (ii) An advance of next year's grant: but there are difficulties of financial propriety.

If our objective is to keep BR financially afloat but to make it quite clear that the railway industry as a whole has been harmed as a result of the recent industrial action, a better way forward would be to increase this year's borrowing limit, and to make a corresponding reduction in next year's. This would be accompanied by an announcement explaining why, and drawing attention to the consequences of industrial action.

Next year's EFL was to have been £950 million. They need an increase this year of £40-50 million. Taking that amount off next year's EFL will be very tough, but not impossible. BR would have to increase their disposal of assets; would have to consider reducing investment (but Norwich electrification does not start until 1985); and would have to contemplate cutting of some services, probably in the freight area. And it would put even greater pressure on the forthcoming pay settlement.



J.V.

2 March 1982

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Transport BR files
+ finance
pt 3.

Transport
MR. SCHOLAR

overaken

cc: Mr. Hoskyns
Mr. Ingham

BRITISH RAIL'S TEMPORARY BORROWING

In his letter of 26 February to you, Mr. Howell's Private Secretary seeks our approval of an increase in BR's borrowing limit, to be announced to Parliament shortly.

This proposal is curiously incomplete: it lacks details of the increase proposed, and the nature of the proposed announcement. But I understand that some further advice may be coming from Mr. Howell's Office, and it may be best to put all this together before consulting the Prime Minister.

On the substance, however, the position is clear. BR's present borrowing limit is £110 million, and they will need to exceed it by up to £20 million at the end of this week, and by up to another £20 million in the last week of this month. The proposal ought therefore to be to authorise them to borrow up to £150 million.

Giving this authority carries no implications for the future handling of the BR/ASLEF relationship. If a nationalised industry needs to borrow, but is prevented from doing so, it has to default on payments - and the problem comes straight back into the Government's lap. There is in practice no way of declining this proposal. They will need a further increase in their borrowing limit at the beginning of April anyway. There is very little presentational mileage in it, whenever the decisions are taken. The Prime Minister could safely leave this to be sorted out between Mr. Howell and the Chancellor on the basis of what is necessary for the purposes of BR's internal financing.

J.

1 March 1982

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ds



be Walters
Venker

10 DOWNING STREET

From the Private Secretary

1 March 1982

Dear Anthony,

British Rail's Temporary Borrowing

Thank you for your letter of 26 February about British Rail's request for a short-term increase in their temporary borrowing limit.

The Prime Minister, to whom I showed your letter, is opposed to an increase in this limit. As she understands it, the reason why the limit is about to be breached is the effect on the Board's finances of the recent ASLEF strikes. The Prime Minister believes that agreement to an increase in the limit in these circumstances will be seen as an accommodation of the Board's difficulties.

The Prime Minister's preferred course would be to tell the Board that they will need to sell assets - and quickly - in order to tide them over their present difficulties. She recognises, however, that in the very tight timescale set out in your letter this will be impractical. She accordingly suggests that the Department of Transport offers to the Board an advance of next year's passenger grant, to be paid this week, and to be deducted from next year's grant, with interest being charged in the interim. This would make it clear that the costs of the dispute were having a real impact on BR's financial position, and would make concrete the references which Ministers have made on a number of occasions recently about the effect on railways investment; it might, for example, prove necessary on this approach to defer the Norwich electrification scheme. As an alternative, the Prime Minister enquires whether there are any assets which the Board might commit themselves to sell to the Government, in exchange for an advance payment this week of some fraction of the purchase price.

The Prime Minister will be ready to consider alternative suggestions on these lines. I am therefore arranging a short meeting with your Secretary of State and the Chief Secretary at 1700 tomorrow afternoon.

I am sending copies of this letter to Terry Mathews (Chief Secretary's Office), Barnaby Shaw (Department of Employment); and to David Wright (Cabinet Office) and Gerry Spence (CPRS).


Yours sincerely,

Michael Schelen

Anthony Mayer, Esq.,
Department of Transport

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Prime Minister

REVIEW OF BRITISH RAIL FINANCES

I have seen Clive Whitmore's letter of 29 January to Anthony Mayer. I have held up replying while the ASLEF strikes were in progress.

The damage caused by them makes it even more urgent that we should have a thorough review of British Rail Finances. The level of losses on the railway now means that we shall have to consider very fundamental questions about the future. The immediate battle is not yet over, and it is very important that Sir Peter Parker should now win; the process of winning may make BR's financial position worse. But we need not wait for that outcome before starting the review on its way. The sooner we get going, the better.

You asked whether it would not be preferable to appoint someone with transport experience, possibly from overseas, to take on the review.

The questions the review must help us to deal with are about what sort of a railway do we want, and does that require changes in policy; what it would cost, and in particular how do we stop the present trend in losses; and can it in managerial terms be done. It is because of the importance of the last question that I believe we need a very hard business appreciation by someone who has demonstrated his ability at the top of a large enterprise. He may certainly need to bring in specialist advice on transport economics where we have some good candidates, or engineering, or management accounting. But none of these on its own could give us the advice we need on the business result that could be achieved amid all the problems of production, marketing, cost control, and industrial relations, and how we can better shape our policies towards that.

Prime Minister

~~SC~~ SV

I imagine ^{AD} ~~you~~ ^{Mr Howell} will wish to

discuss with Mr Howell you

- at your meeting tomorrow.

you (Mr Walters also suggested

some names - see note attached).

MCS 1/3
- on Pt 2



CONFIDENTIAL

This view also prompts me to rule out a foreign rail operator to actually run the review. We would certainly aim to call on overseas advice. American experience would be particularly useful in the light of their recent attempts to turn round the fortunes of "Amtrack" and "Conrail". I am less excited about calling on French, German or Japanese experience. In all three cases their rail systems run at far greater losses than our own. And on the continent of Europe only Sweden has a rail system which gets a higher proportion of its revenues from the fare box.

The sort of man I am after inevitably has a large number of outside commitments. If you agree, I would propose to sound out two other names in addition to Sir Gordon Hobday. These are first, Sir Maurice Hodgson, who will retire from the chair of ICI in the Spring. The second name is the Hon John D Eccles, who I know well from my dealings with him at the Davey Corporation and Head Wrightson. He also has the advantage of being a considerably younger man.

I would be grateful to know if you agree that I could seek a Chairman of the Review among the names I have mentioned. I will discuss with the Chancellor some revised terms of reference to bring out more clearly the issues we must now face in the light of the ASLEF dispute as I have described them above.

I am sending copies of this to the Chancellor of the Exchequer and the Secretary of State for Industry, and also Secretary of State for Trade in view of John Eccles' membership of the Monopolies and Mergers Commission. I am also sending a copy to Sir Robert Armstrong.

DA

DAVID HOWELL

| March 1982



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26 JV
42



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Prime Minister

Michael Scholar Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

*No - I think
this should be made to
revenue would be unwisely.
Content?
not
MAD 26/2*

6 February 1982

Dear Michael,

BRITISH RAIL'S TEMPORARY BORROWING

In view of the earlier discussions about BR's cash position in connection with the ASLEF dispute, my Secretary of State thought that the Prime Minister would want to know straightaway that BR have asked for a short-term increase in their temporary borrowing limit, to enable them to manage their cash flow over the next few weeks. The Board had hoped that, with the end of the strike, this could be avoided. But in a business with cash flow, in and out, of about £5½ billion, daily fluctuations are difficult to forecast precisely. The Department heard of the requirement two days ago, and immediately alerted the Treasury.

The Board's cash requirements, above what they earn by commercial revenue, are met by grants, long-term borrowing (including leasing), and by temporary borrowing, to meet the day-to-day needs of the business. My Secretary of State sets a ceiling on temporary borrowing under the 1962 Transport Act, which is at present £110m. The limit is set by reference to the range within which day-to-day cash requirements can be expected to fluctuate. The level of borrowing normally increases during the winter, and declines, frequently to a cash surplus, in summer when revenue is buoyant. This year, the Board have had to meet the accumulated loss of revenue during the ASLEF strikes (£75m, less saved costs) on top of a rising short-term cash requirement, normal at the time of the year. As a result, they now expect that they will need to exceed the present limit on 5 - 9 March, on 22 - 25 March and again in April.

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My Secretary of State has naturally pressed the Board on whether this unwelcome excess can be avoided. They have made efforts to reduce their costs both during the strikes and since, and are pressing ahead with property disposals, from which they hope to bring in £10m - £12m in the next few weeks. But it is not feasible for them to offset the accumulated loss of revenue by completing further disposals or to make sufficient further savings in costs within the timescale required.

In my Secretary of State's view, about which he is in touch with the Chief Secretary, there is no practical alternative to authorising an increase for a short period. The Board could not properly exceed a statutory limit, and the Government could not allow that. But if nothing were done, the Board would not be able to pay its bills and wages.

Normally, provided that my Secretary of State and the Treasury were satisfied that a short-term dispensation was justified to enable the Board to manage their cash flow, a short-term increase could be handled as a technical matter. In present circumstances, however, in view of the Board's present financial position, and the industrial relations problems, Mr Howell considers that Parliament should be informed. He shares the Chief Secretary's view that the terms of this will require great care.

Mr Howell is satisfied a short term dispensation would not relieve the Board of the necessity to seek all possible ways to offset the costs of the industrial dispute, or close options which Ministers may want to consider in the situation after Lord McCarthy has made his next report. The official group on railway policy will be reporting on this.

Copies of this letter go to the Private Secretaries to the Chief Secretary, the Secretary of State for Employment, Sir Robert Armstrong and Mr Ibbs.

Yours,

Anthony Mayer

R A J MAYER
Private Secretary

CONFIDENTIAL



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26 FEB 1962

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9 8 7 6 5 4

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Transport

Free



cc: Mr. Keecher

16

10 DOWNING STREET

From the Private Secretary

26 February 1982

ASLEF DISPUTE

The Prime Minister was grateful for your Secretary of State's minute of 23 February.

The Prime Minister agrees that your Secretary of State should speak to Sir Peter Parker shortly, making it clear to him that the tough option of facing up to a national strike on the railways is not excluded. The Prime Minister agrees, too, that this should not be done in such a way as to give Sir Peter Parker carte-blanc beforehand; and that he must so handle affairs at the time as to be able to give the Government the considered view of his Board on the need to follow that course if that is their judgement. The Prime Minister hopes that your Secretary of State will emphasise to Sir Peter that Ministers believe that, should it come to a strike, the specific issue on which it is fought should be a good one, that an acceptable way through should be clearly foreseen, and that there should be a background of cumulative influence on the attitude of the drivers. (It is the Prime Minister's view that it is extremely important during the time between now and a possible strike for the Board to take all sensible steps to influence the attitudes of the drivers).

I am sending copies of this letter to John Kerr (HM Treasury), John Halliday (Home Office), David Omand (Ministry of Defence), Julian West (Department of Energy), Barnaby Shaw (Department of Employment), Jonathan Spencer (Department of Industry), Muir Russell (Scottish Office), Gerry Spence (CPRS) and David Wright (Cabinet Office).

M. C. SCHOLAR

Anthony Mayer, Esq.,
Department of Transport.

Handwritten mark

JF

CF?



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Mike Pattison Esq
Private Secretary to
the Prime Minister
10 Downing Street
Whitehall
LONDON SW1

Type to PM

cc I.G.

MAY

26/2

24 February

Dear Mike,

on previous part 2

With your letter of 3 February you enclosed one from Geraint Morgan MP criticising British Rail management, citing the present rail dispute and the recent allegations of malpractice within British Rail in support of this view. I attach a draft reply which the Prime Minister may wish to send to Mr Morgan.

Yours,

Anthony Mayer

R A J MAYER
Private Secretary



DRAFT REPLY FOR THE PRIME MINISTER TO SEND TO GERAINT MORGAN ESQ MP

Thank you for your letter of 29 January in which you criticise the British Rail management's part in the events which led up to the present rail dispute. You also referred to the recent allegations of malpractice by some British Rail staff.

I agree that recent events have shown the need for agreements on productivity to be crystal clear and not capable of differing interpretations. The need for higher productivity is greater than ever, and we must all hope that the Board gain their objective next month.

I too am concerned about the recent allegations of malpractice by some British Rail staff. I think the Board have adopted the right course in setting up an investigation so they can quickly find out the facts. You will, I am sure, agree that it would be unwise to make any judgements until the facts have been established.



25 FEB 1982

1212345
6789

Transport

✓ *cejv*



DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ

01-211 4391

SIR DONALD MAITLAND GCMG OBE
PERMANENT UNDER-SECRETARY OF STATE

24 February 1982

CONFIDENTIAL

Dear Robert,

OFFICIAL GROUP ON RAILWAY POLICY (MISC 72)

I am content with the arrangements described in your letter of 22 February to Peter Baldwin.

wite
CAJ

Given that MISC 57 will continue to look after coal supply and endurance questions I doubt if we shall need to attend every meeting of MISC 72, but we certainly wish to keep in touch with its work.

Yours ever,

Donald

Sir Robert Armstrong KCB CVO
Cabinet Office
70 Whitehall
LONDON SW1

cc Sir Peter Baldwin, D/Transport
Sir Douglas Wass, Treasury
Sir K Barnes, D/Employment
Mr R Ibbs, CPRS
✓ Mr C Whitmore, No.10



2 9 FEB 1982

11 00 00
FEB 11 1982
FBI - MEMPHIS



SECRET AND PERSONAL

Prime Minister

①

15

shall I, in promulgating
your response to Mr Howell's
minute, include the points
at x?

Yes
MCS 24/2
[Signature]

24 February 1982

✓c JV

Qa 05843

To: MR SCHOLAR

From: J R IBBS

ASLEF Dispute

1. I have just seen the minute from the Secretary of State for Transport to the Prime Minister dated 23 February which was not copied to me.
2. He refers there to "the possibility that we may need to face and win a national railway strike". I have two practical observations to make on this, both related to the principle that it is generally a mistake to face a strike unless you can see an acceptable way out of it.
3. First, one crucial factor in determining the prospects of a strike having a satisfactory outcome is the precise ground on which it is fought. This is not just a matter of the broad principle that BR needs greater productivity, on which Peter Parker should of course be supported, but depends on the specific issue on which the dispute turns. For example, if the RSNT in March rules in favour of flexible rostering on terms acceptable to BR but this is rejected by ASLEF, the BR Board could well be on good ground if it imposes the settlement and if necessary faces a strike. But before taking this key decision it would of course still need to foresee the way out of the strike and the Government would need to judge the likely duration compared with power station endurance.
4. On the other hand, if the RSNT does not favour flexible rostering on terms acceptable to BR there may be no good ground on which to have a major fight with ASLEF; in this event the best course may be to accept the decision and start afresh on the productivity issue in the new round of pay negotiations this Spring against the background of BR's appalling commercial and financial situation.
5. The ground on which it would be worth standing and fighting therefore deserves most careful preparatory thought by the BR Board. Incurring a strike in a desire to avoid obvious defeat could turn into a worse disaster.



SECRET AND PERSONAL

6. Second, as I pointed out in my minute to you yesterday it is extremely important during the period between now and a possible strike to take all sensible steps to influence the attitudes of the drivers. Affecting attitudes is not something that can be done at the last moment.

7. The Prime Minister may therefore wish the Secretary of State when he talks to Peter Parker to emphasise that Ministers, while leaving the immediate conduct of the matter to BR, believe it is important, should it come to a strike, that the specific issue on which it is fought should be a good one, that an acceptable way through should be clearly foreseen, and that there should be a background of cumulative influence on the attitude of the drivers.

8. I am sending a copy of this minute to Sir Robert Armstrong.

Handwritten signature

SECRET

cc Ad
JV
Prime Minister

(1)

14c

Agree to this approach?

MS 23/p

Qa 05841

To: MR SCHOLAR

From: J R IBBS

23 February 1982

Aslef Dispute

1. Your letter to Anthony Mayer dated 18 February records the decisions reached at meetings on 16 and 17 February. The subject of the dispute is now a matter for negotiations which are expected to culminate in a hearing by the Railway Staff National Tribunal in mid-March. However, it is by no means certain that agreement will be reached. The attitude of the drivers themselves to flexible rostering proposals may still turn out to be crucial.
2. At the first of the meetings recorded in your letter some thought was given to how the attitudes of the drivers might be influenced. The CPRS produced a note "Ways of Inducing the ASLEF membership to accept the British Rail productivity proposals" which I attached to my minute to you dated 15 February: this note was handed out and considered at the meeting and collected again at the end. It listed five ways by which a change of attitudes might be brought about. The next three weeks will be a further opportunity for trying to influence the attitudes of individual drivers. Clearly this is a matter for BR but Ministers will want to be reassured that all possible sensible steps are being taken.
3. In particular I should like to draw attention to the need to persuade the drivers that the changes proposed are fair. (Paragraph 5 of the CPRS note.) At the meeting on 16 February the Prime Minister asked the Secretary of State for Transport to find out from BR what the effect of the proposals would typically be on pay, total hours and pattern, both of rest days and within working days. I am not myself aware of what the answer was; no information on this aspect is contained in the guidance notes issued by the Secretary of State for Transport's Private Secretary

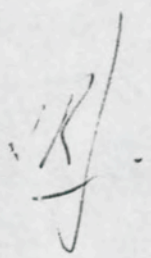
SECRET

SECRET

on 19 February. My concern is that if Ministers cannot be given a reasonable answer, it is unlikely that the drivers can be persuaded that what is being asked of them is fair. At the very least BR management need to explain at each depot the likely effect on individuals.

4. It may be that the Prime Minister may wish to enquire further from the Secretary of State (a) whether he is satisfied that BR are doing enough to influence drivers during the next three weeks and (b) what information he has on the effect that the rostering proposals would have on individuals. (These seem to me to be matters requiring immediate attention and it would be inappropriate to leave them to the new MISC 72 Committee of Officials which is considering options in the event of further industrial trouble on the railways).

5. I am sending a copy of this minute to Sir Robert Armstrong.



14B
Prime Minister (1)

Agree to X?

~~est~~
Yes Mr.

Mr 23/2

PRIME MINISTER

ASLEF DISPUTE

The basis on which Sir Peter Parker accepted the McCarthy report is from his point of view only just defensible. The efforts of the press - which we must firmly squash - to give credence to reports of a division, which does not exist, between his approach and ours may for the moment insert a further element of uncertainty. But we can none of us assume that he will not have to face a major fight on the railways if he is to win from ASLEF the changes that are needed, and it would certainly be better if he can have that fight on grounds where ASLEF cannot call on the support from the other railway unions.

This may come when the issue of flexible rostering has been back to Lord McCarthy and his colleagues, and they have reported in the last week in March. We shall need then a clear analysis of possible options, including the possibility that we may need to face and win a national railway strike. My Department is putting this in hand, in consultation with the others concerned, as envisaged in paragraph 'd' of your Private Secretary's letter of 18 February. This will cover the financing question referred to in paragraph "f".

As the same time we must ensure that Sir Peter Parker is left in no doubt of our willingness to consider the need to back him in a national strike. Clearly we cannot give him and his Board carte blanche beforehand. But we must make clear to him that the tough option is not excluded, and that

he must so handle affairs at the time as to be able to give us the considered view of his Board on the need to follow that course if that is their judgement, and for us to deal with that. I would like to speak to him shortly in these terms. I regard this as vital, since there must equally be no suggestion that he and his Board are in a position to accept a defeat and by such a surrender involve us in a most severe setback in the handling of other questions on the wider industrial front. X

I am copying this minute to the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Defence, Energy, Employment, Industry and Scotland, and to Sir Robert Armstrong.

14.

DAVID HOWELL

23 February 1982

Trumpfort
BR

CONFIDENTIAL



File AH

10 DOWNING STREET

From the Principal Private Secretary

23 February 1982

Dear Robert,

Thank you for sending me a copy of your letter of 22 February 1982 to Peter Baldwin about the establishment of MISC 72.

I am content with the proposed arrangements and confirm that the No 10 representative on the group will be John Vereker.

Yours etc,

Anne Whitman.

Sir Robert Armstrong KCB CVO

CONFIDENTIAL

KAH

CONFIDENTIAL



MBPM ✓
DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 4581 *MCS 24/2*

THE PERMANENT SECRETARY
SIR PETER BALDWIN, KCB

Sir Robert Armstrong KCB CVO
Cabinet Office
70 Whitehall
London
SW1A 2AS

23 February 1982

My dear Robert

OFFICIAL GROUP ON RAILWAY POLICY

Thank you for your letter of ^{7pm} 22 February.

I think that your suggestion that an Official Group on Railway Policy should be set up under John Palmer's Chairmanship is a very valuable and practical plan. On membership, I think we shall need someone from here; on policy the right man is Tony Baker (and we would offer Colin Thame in his place as joint secretary), and on finance we do need David Holmes.

I am sending copies of this letter to those who received copies of yours.

Yours ever

PB

PETER BALDWIN

COMPLIMENTARY

DEPARTMENT OF THE ARMY
WASHINGTON, D.C. 20315

Mr. Robert A. ...
Central Office
10 ...
London
GWA 125

24 FEB 1982

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OFFICIAL COPY ON LAST PAGE ONLY

The ... of ...
... should be ...
... and ...
... in ...
... of ...

I am sending copies of this letter to those who received copies
of yours.

VERY TRULY
YOURS,

...

Transport
Railway

14A

SECRET

MR HOSKYNS

cc Mr Scholar
Mr Waters
Mr Duguid
Mr Ingham

Railway Policy

Those concerned with the handling of continuing developments on the BR/ASLEF fronts may wish to know that, as instructed by the Prime Minister, the Department of Transport have agreed that a group be set up to consider railway policy over the next few weeks, with a particular view to the handling of developments after the next McCarthy tribunal. It will cover all aspects of the problem i.e. including BR finances, except for coal which will remain in MISC 57. It will be an official Cabinet Office group under the chairmanship of a Department of Transport Under-Secretary, John Palmer. It will be called MISC 72, and I will be the Policy Unit's representative on it.

J. M. M. VEREKER

22 February 1982

SECRET

C A Whitmore Esq



CABINET OFFICE

With the compliments of
Sir Robert Armstrong KCB, CVO
Secretary of the Cabinet

70 Whitehall, London SW1A 2AS
Telephone: 01-233 8319

CONFIDENTIAL



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 8319

From the Secretary of the Cabinet: Sir Robert Armstrong KCB, CVO

Ref. A07586

22nd February 1982

Mr Vereker.
OK?
kw
22 Feb
As Whitmore
Yes, file (1 copies to
Richard Behar a note
about this, yesterday)

Paragraphs (c) and (d) of Michael Scholar's letter of 18 February to Anthony Mayer commissioned a paper from your Department in consultation with the other Departments concerned about the options open to the British Railways Board had they been unable to accept the McCarthy Report, and the advice that the Government might offer to them. The immediate need for such a paper has, of course, been overtaken by events, but I understand that John Palmer has been in touch with the Secretariat about the preparation of a paper which would consider the options open to the Government if there were to be further industrial trouble on the railway in March or April. I gather that John Palmer also said that he should like to take up the offer of Cabinet Office assistance which I made to you when we spoke on 12 February, and which is reflected in Michael Scholar's letter.

I propose, therefore, that an Official Group on Railway Policy (MISC 72) should be set up under John Palmer's chairmanship. It has been suggested to me that the membership might be as follows:

- | | |
|------------------|--------------------------|
| Mr J M M Vereker | No 10 Policy Unit |
| Mrs A F Case | HM Treasury |
| Mr M Wake | Department of Employment |
| Mr D Morphet | Department of Energy |
| Mr G MacKenzie | CPRS |

I understand that Mr A T Baker of your Department might serve as one of the Secretaries; Bill Moyes would be the Cabinet Office Secretary.

I gather that John Palmer would like the first meeting of this group to be on Thursday. I should therefore be grateful if you and colleagues could let me know quickly whether you are content with these arrangements and with the Departmental representatives suggested above.

I am sending a copy of this letter to Douglas Wass, Ken Barnes, Donald Maitland, Robin Ibbs and Clive Whitmore.

RTA

Sir Peter Baldwin, KCB

CONFIDENTIAL



10 DOWNING STREET

Michael

Deference are asking for
a copy of the meeting
record ~~that~~ ~~is~~ covered by
your letter to Anthony Mays
of the 16th February. OK to
copy it?

OK

Andy

Can someone copy & send

Andy



Prime Minister

(2)

cc AD SV

MUS 19/2

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Trans

19 February 1982

Dear Private Secretary

ASLEF DISPUTE

My Secretary of State thought that his colleagues might find it helpful to have the attached guidance notes on the ASLEF dispute.

In any comments on the present position, Mr Howell suggests that his colleagues should continue to follow the line which the Prime Minister has already taken in public:

- viz i. the matters in dispute will not be resolved for several weeks - no-one has won so far;
- ii. the major issue is productivity - which the railway industry must secure if it is to win traffic and justify investment;
- iii. so a defeat for the Board would be a defeat for the railways and for railway jobs;
- iv. outdated labour practices and demands for more pay with nothing in return cannot be the basis for progress on the railways any more than in the rest of industry. That is the reality which cannot be dodged and on which the Government's policy is squarely based.

I am sending copies to the Private Secretaries of other members of the Cabinet, and of the Chief Whip and to Sir Robert Armstrong.

Yours sincerely

C R EDWARDS
Private Secretary

CONFIDENTIAL

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08143
08121

19 FEB 1982

THE ASLEF DISPUTE

GUIDANCE NOTES FOR MINISTERS

The Government Policy for the Railways

1. The Government wants to see an efficient, cost-effective, well-invested railway.
2. The Government has:-
 - a. put more money into the railways, by raising the external finance provision in each of the last 2 years, and by putting up the Exchequer grant for passenger services in 1981 to £755m - by far the highest ever in real terms;
 - b. ruled out any substantial cuts in the passenger network;
 - c. endorsed the principle of a programme of main line electrification, based on better business performance and improved productivity;
 - d. avoided any reduction in the ceiling on investment in BR.
3. Ministers have repeatedly emphasised that more money can be found for investment by reducing current costs and increasing efficiency
4. As recently as 22 December, the Secretary of State for Transport approved plans for electrifying the services to Ipswich, Norwich and Harwich.

The Government's Attitude to this Dispute

5. The Prime Minister and the Secretary of State for Transport condemned the ASLEF strike as callous, and doomed to cause pointless damage to the nation as a whole and the railway industry in particular.

What the Dispute was about

6. ASLEF refused to honour their commitment to complete negotiations on 'variable rostering' - working shifts shorter or longer than the fixed eight hours, but all within a 39-hour week total - by 31 October 1981. As a consequence the British Railways Board suspended, for footplate staff (drivers and their mates), their commitment to pay a further 3% from the beginning of January 1982 backdated to the beginning of August 1981. (The history of the dispute is given in Annex A.)

7. ASLEF began industrial action, with strikes on 13 and 14 January. ACAS set up their inquiry into the dispute on 2 February, inviting Lord McCarthy to chair a committee of inquiry. ASLEF refused to attend the inquiry as BR had not paid the 3%.

McCarthy Report

8. Lord McCarthy reported on Tuesday 16 February. His recommendations can be summarised as follows:-

i. ASLEF was to confirm its continued commitment to understandings of August 1981 - "negotiations shall take place to establish variations to the rostering agreements with a view to introducing some flexibility around the 8-hour day ..."

ii. A timetable was laid down for early and rapid negotiations within the established machinery on flexible rostering. If there was no agreement in the RSJC, the issue would be brought back to RSNT in mid-March.

iii. As soon as this procedure was agreed, ASLEF was to call off industrial action.

iv. At the same time the Board was to implement the additional 3% on pay.

v. The application of the shorter working week agreement was to wait on the outcome of the dispute on flexible rostering.

9. This was a disappointing outcome for BRB. In effect, Lord McCarthy recommended that the Board should pay ASLEF members the additional 3% without any guarantee that they would secure the productivity improvements in the final negotiations.

10. Once the NUR and TSSA had accepted the McCarthy report, it was difficult for BR to reject it outright. They were aware, however, that acceptance outright would be represented by ASLEF and the Press as a total capitulation. The Board, therefore, went back to ACAS to seek clarification of the extent of ASLEF's commitment to negotiations on flexible rostering, and in particular whether ASLEF were prepared to see some movement around the 8-hour day.

11. When ASLEF were prepared to sign a document confirming their commitment to enter into negotiations on productivity, and accepting that "no matter is in principle ruled out of discussion" and that there should be no "limitation on the issues that can be examined in negotiation", the Board decided that they had gained sufficient clarification of the ASLEF position to be able to accept the McCarthy report. In their view, the agreement signed by all parties, and by Len Murray for the TUC, would make it difficult for ASLEF to maintain their earlier position that there can be no movement at all from the 8-hour day.

12. Sir Peter Parker said in his statement of 18 February:-

"I am now confident we shall not be paying something for nothing. The long talks at ACAS have been worthwhile. It is now clear that everyone accepts that no issue is ruled out of the negotiations. There is no misunderstanding that the negotiations include the vital issue of varying the eight-hour day. This is the clarification which the Board sought after reading the inquiry report. The negotiations will now be about the right issue, how to implement flexible rostering. That is right for the industry and right for our customers.

This statement has the full authority of the Chairman of ACAS, the General Secretary of the TUC and all partners to the negotiations and this augurs well for achieving progress on productivity within the firm time-scale set by the inquiry.

I am particularly pleased that Len Murray has associated himself with this statement."

13. The Secretary of State for Transport issued the following statement at the same time to support Sir Peter Parker's position on productivity:-

"I am, of course, glad that ASLEF's ruinous strike action has now been called off. The vital aim for the future of the railways is higher productivity, and I wholeheartedly support both Sir Peter Parker and all those whose commitment is to that goal. The focus is now rightly on achieving this higher productivity, and the negotiations must produce that result speedily as the agreed timetable requires."

Next Steps

14. The Board will now implement the recommendations on pay. The additional 3% backdated to August 1981 will be in ASLEF members' pay packets in 2-3 weeks time.

15. Negotiations will start immediately on flexible rostering. These will be through the normal negotiation machinery, but to an accelerated timetable so that, if no agreement can be reached - ^{that must be doubtful} and/in view of Mr Buckton's latest statements about the 8-hour day - the parties will go to the Railway Staff National Tribunal (chaired by Lord McCarthy) on 19 March at the latest.

16. Annex B gives further details of train drivers' pay and conditions, of the Board's proposals for flexible rostering, and the railway negotiating machinery.

THE HISTORY OF ASLEF DISPUTE

1. There was a unilateral reference by the Unions of their 1981 pay claims to the Railway Staff National Tribunal. The Tribunal's recommendation was not binding on the parties. The RSNT recommended an 8% increase from 20 April 1981 (the settlement date) and a further 3% from 1 August.

2. The British Railways Board offered:-

- a. to implement the 8% increase in rates of pay with effect from 20 April 1981;
- b. to apply a further increase of 3% in rates of pay from a date to be agreed provided there is evidence of a commitment to specified initiatives to increase productivity.

The Board's decision not to implement the further 3% from 1 August led to a breakdown in the negotiations and notice of an all-out strike by NUR and ASLEF to begin on 31 August 1981. At negotiations under the auspices of the Advisory Conciliation and Arbitration Service (ACAS), a settlement was reached under which:

- a. the unions, including ASLEF, undertook to 'endeavour to honour every aspect' of the undertaking reached on productivity which the Trade Unions had already given the Board in the form of six firm commitments with dates for completion of negotiations.
- b. the Board agreed to pay the additional 3% from January 1982 backdated to August 1981 'on the understanding that the commitments on productivity would be honoured'.

3. The specific commitment on rostering said:

"Negotiations shall take place to establish variations to the rostering agreements with a view to introducing some flexibility around the 8 hour day, but without producing unreasonable variation in the length of each working day."

This specific undertaking - among others - for changes which the Board see as vital to their plans for the future of the railways led the Board to agree to the payment of the extra 3%, as the record of the discussions shows.

4. ASLEF refused point blank to move from the fixed 8 hour day in subsequent negotiations.

5. The NUR have agreed to variable rostering based on a working day of between 7 and 9 hours for guards. NUR have made it clear they were prepared to accept a similar agreement for footplate staff who are members of the NUR.

6. The understanding on pay was implemented for all BR staff who are members of the NUR and TSSA. It was not implemented for members of ASLEF.

1. Drivers' Pay and Hours

The average weekly gross earnings of an ASLEF member is £140.

The job of driving trains is at present planned in turns of 8 hours. Under an agreement of 1919 a minimum payment of 8 hours is guaranteed. (This is what ASLEF mean when they say they do not want to move from the 8 hour day.) The 40 hour standard week is guaranteed for payment. It consists of 5 x 8 hour turns rostered between Monday and Saturday. Night and Saturday hours are paid at higher rates, as is all time worked on rest days and Sundays.

A driver's normal shift of 8 hours includes on average 4 hours a day driving loaded trains. On top of this, there is 1 hour allowed for signing on and off, reading instructions and traffic notices and checking the train is in working order. And a further $\frac{1}{2}$ hour is added for the physical needs break. This makes a total of 5 $\frac{1}{2}$ hours productive time in an 8 hour turn.

The average daily mileage worked by drivers on all trains is between 50 and 60. The figure for freight trains is about 30.

2. The 39 Hour Week

In 1980, BR agreed to move to a 39 hour week in 1981. In the 1981 pay negotiations, this was deferred to January 1982. BR need new rostering arrangements to fit the 39 hour week.

3. Variable Rostering

The Railways Board want to plan driving work in turns of varying length, between 7 hours to 9 hours. This has been agreed for guards (members of the NUR).

For the Board this would provide more effective use of paid time by drivers, by allowing extra trips to be made on 9 hour days, and fewer unproductive hours on 7 hour days.

BR say that the new arrangements would also have advantages for drivers. The incidence of unsocial booking on and off time can be lessened. More individual days clear of duty could be rostered.

The arrangements proposed by BR for ASLEF are operated successfully and are normal practice on most European national railway systems. Indeed in a number of countries, the variations in hours per shift are in many cases greater than that proposed by British Rail.

4. The Negotiating Structure

The negotiation machinery in British Rail works at local, regional and national level. At national level the Railway Staff Joing Council (RSJC) is divided into 4 sections. One for salaried staff; one for locomotive; one for traffic and one for general issues covering all staff. The discussions on variable shifts for locomotive staff have been taking place in the RSJC (Loco). The top negotiating national body is the Rail Staff National Council (RSNC) which considers major issues as to standard conditions of service referred from RSJC.

Major issues on which the RSNC cannot reach agreement may be referred by any party for decision by the Railway Staff National Tribunal (RSNT). Decisions of the RSNT are only binding if both parties give prior indication that this is their joint intention.

5. Trade Union Members

National Union of Railwaymen - Total membership on British Rail is between 120,000 and 130,000. Bulk of membership comprised of signalmen, guards, ticket collectors, permanent way staff, but has about 1,600 footplatemen.

Transport Salaried Staff Association - Total membership on BR about 50,000. Caters solely for salaried staff in transport and travel.

Associated Society of Locomotive Engineers and Firemen - Total membership on BR something over 20,000. Drivers, secondmen and trainees.

Prime Minister (2)
ms 19/2

19 February 1982
Policy Unit

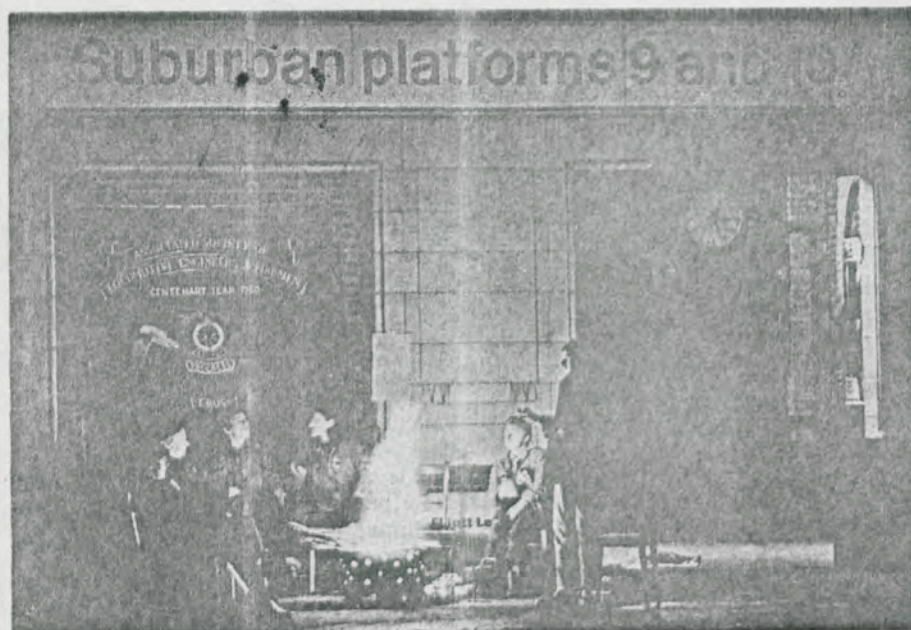
PRIME MINISTER

ASLEF

I think the attached piece from today's
Economist is a useful and balanced summary
of the affair.

JOHN HOSKYNS

BRITAIN



Waterloo for British Rail

The decline of industrial Britain is punctuated with surrenders disguised as the considered judgments of impartial arbitrators: Clegg (local authority workers, 1979), Wilberforce (coal miners, 1972) and Guillebaud (just about everyone, 1950s) were all milestones on the country's descent towards stagflation. This week it was possible to add another name to the list.

Lord McCarthy's inquiry into the train drivers' strike ruled that British Rail should pay an extra 3% to the drivers without prior agreement to raise their miserable productivity. In the early hours of Thursday morning BR agreed. The only concession by Aslef, the drivers' union, was an agreement to talk further about productivity. Even that was too much for some drivers who wanted to carry on striking.

The charitable hope is that BR and Lord McCarthy have cleverly eased Aslef off its refusal to budge from the eight-hour day. BR spent most of Wednesday trying to drag a commitment out of Aslef that more flexible rostering of working hours (the basic cause of the dispute)

would be on the agenda and that the union would negotiate a deal. In the end, Mr Ray Buckton, the Aslef boss, promised to negotiate seriously; he then said that he had made no undertaking to move from the eight-hour day.

BR is now gambling that when the issue inevitably goes before arbitration, the industry's tribunal will rule in favour of flexible rostering. It is also gambling that Aslef will accept such a ruling. BR thought it was given enough winks and nods in this direction on Wednesday to pay the 3%. Time will tell, but the omens are not encouraging.

Coughing up the 3% means that BR has lost the only sanction it had over Aslef to agree to a seven-to-nine-hour day (as the other unions have). Aslef clearly thinks it has been vindicated by the McCarthy inquiry. Mr Buckton has his militant executive to answer to. BR is hoping that a tribunal ruling backed by the combined might of the other rail unions and the Trades Union Congress (its general secretary, Mr Len Murray, was a party to Wednesday's truce) will force it to fall in line. But the hard men

on the Aslef executive have been impervious to such pressure in the past. BR has maybe done what it said it would never do: given Aslef something for nothing.

There was always a danger that BR would cave in: that is the track record of its management. The board's stand was handicapped by the fact that it had not tied the extra 3% in last August's pay deal closely enough to flexible rostering. It then compounded that error by agreeing to the McCarthy inquiry, even though Aslef refused to appear before it. BR bosses say they never expected it to award the 3% for next-to-nothing.

That was naive. BR should have known enough about Lord McCarthy to realise that that was the most likely result. Lord McCarthy is a Labour peer who has never made any bones about his pro-union sympathies; his first book was a defence of the closed shop. It was his formulation last summer which provided such a tenuous link between pay and productivity in the first place. Now it is the same Lord McCarthy who will chair the industry's tribunal when flexible rostering finally lands on its lap next month. BR thinks he will come down on its side. In this week's strike inquiry, however, he wrote that he had seen no evidence that Aslef had been unnecessarily obstructive or unhelpful. The union had mounted 16 disruptive one-day strikes and refused to explain its case to him. But he ruled in their favour anyway.

The worst way for management to handle a dispute is to act tough at the start and then cave in. That is how Britain's union militants have been strengthened and moderates undermined for the past 30 years. The Thatcher government is now faced with the depressing prospect that, once again, another nationalised industry has done just that. So far government ministers have rightly stayed out of the dispute. Now it is time for them to get in.

The government must make it clear that if the renewed talks do not produce flexible rostering then BR will not be bailed out. The strikes have cost BR at least £100m. Long-term losses will be greater since more industries have discovered that sending their freight by road is preferable anyway. Only a far more competitive rail system will ever wean that lost trade back. The strike must be paid for in cutbacks and lay-offs. The government should also look for a BR board canny enough to take on Aslef and win.

PRIME MINISTER

MUS 18/2

MS

ASLEF

I have received periodic reports, on a private and personal basis, from Simon Jenkins of British Rail Board/Economist. This morning he gave me the following account of yesterday's developments:

1. As they went to the ACAS meetings yesterday, BR negotiators were pressed by Lowry, Murray and Weighell to settle as per the McCarthy report. If they did not, the whole of the TUC and union movement would come out in open support of ASLEF.
2. BR Board seemed to face the choice between accepting the McCarthy report or facing an early or immediate all-out strike. They decided that that could not go straight for an all-out strike because this would alienate the NUR.
3. During yesterday's discussions, BR negotiators pressed for one concession: Buckton must stop saying that the 8-hour day was sacrosanct. BR could not possibly pay the 3% or go along with the McCarthy proposals if Buckton continued to say this. So they tried to get the clearest possible understanding from ASLEF. ASLEF refused, for hours, to give it. They would not concede that BRB and ASLEF interpretation of last summer's agreement was really identical.
4. By 10pm they had got nowhere. ASLEF kept shouting "Accept McCarthy, you've lost". Murray then drafted a letter restating the principle that ASLEF would consider flexible rostering etc, in different words. BR negotiators signed it, so did Murray very reluctantly, so did Weighell and Lowry. ASLEF would not do so until Buckton had spent 3 hours contacting all members of his executive by telephone.
5. This morning, Buckton was immediately overruled by his own executive and told to go back and withdraw any commitment on the letter. Surprisingly, Buckton stood up to his executive and said that they could not continue like this. They had no option now but to sign and hope that things would turn out the way they wanted them to. Apparently they agreed.

6. British Rail Board now face three decision points. First, RSNT must find in BR's favour, and recommend flexible rostering. Second, ASLEF must accept and deliver on that recommendation. Third, the depots must themselves deliver. It is felt that the third decision is no problem. If ASLEF's executive undertake to deliver, the depots will obey.
7. BR Board think that the first and second gambles are reasonable gambles to take. They think it would be difficult, on the first, for McCarthy - after everything that has happened and with Weighell's and Murray's signatures on the letter - to sell out to ASLEF. On the second, they think it would be almost impossible for ASLEF to reject McCarthy's finding and thus go against the weight of trade union and TUC pressure.
8. If the first decision goes in BR's favour (McCarthy rules for BR) and the second does not (ASLEF rejects) BR will proceed to issue new rosters and will dismiss any ASLEF member who does not confirm with them. This is what the Chief Executive of BR told Jenkins.
9. If the first decision goes wrong (McCarthy sells out to ASLEF again) Jenkins himself proposed at today's BR Board meeting two steps (which were accepted by the Board):
- (i) BRB should issue a statement that they will never again appear before any tribunal or enquiry chaired by McCarthy, whom they regard as totally discredited and as having done the industry irreparable harm.
 - (ii) There will not be a penny more for ASLEF in the new pay round.

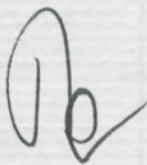
We would then have to prepare for an all-out strike during the summer months.

As regards perceived Government posture, Jenkins said that "messages coming through from Ministers seemed to be less than wholly clear". Parker had got the feeling that the Government were desperate to avoid a strike. (As it happens, looking at the sequence of events above, this probably did not materially affect

the BR negotiating stance.) Jenkins was telephoned by a journalist this morning who asked him to confirm that the Government had telephoned Parker last night to tell him to climb down. Jenkins stated categorically that no such thing had happened. The moral seems to be that the slightest sign of nerves on the part of Government may be interpreted by nationalised industry negotiators on the spot as meaning "surrender", when all the Government meant to say was "Don't escalate without consulting us". Government has to take great pains to ensure that the message (which at times seems to have gone from a meeting of colleagues to David Howell to Peter Baldwin to Peter Parker to Clifford Rose) is absolutely unambiguous. It has almost to be drafted as if it were an external statement.

Radio interviews today suggest that, in fact, Buckton is once again saying that the 8-hour day is sacrosanct and Parker is having to insist that Buckton doesn't mean what he says.

I am copying this privately to Geoffrey Howe at No.11.



JOHN HOSKYNS

SUBJECT

cc Master



SECRET - PERSONAL

File

13 HL

McJ Vankar

10 DOWNING STREET

From the Private Secretary

18 February 1982

Dear Anthony,

The Prime Minister held meetings at 1715 on 16 February and at 1500 and 1830 on 17 February to consider the implications of Lord McCarthy's report on the railway dispute. They were attended by the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Scotland (first two meetings only), Transport, Energy and Employment, Sir Robert Armstrong (first and third meetings only), Mr. Ibbs and Mr. Wade-Gery. At the first of these meetings your Secretary of State circulated a note by his officials entitled "McCarthy Inquiry Recommendations"; and the second meeting had before it Mr. Wade-Gery's minute to me of 15 February covering a report by MISC 57 on power station endurance.

Ministers' conclusions, at the end of the third meeting, were as follows:

- (a) No advice need be offered to the Chairman of the British Railways Board for the time being. He was responsible for the continuing negotiations and nothing should be done to weaken his position.
- (b) If the outcome of the current negotiations left him with a defensible basis for accepting the McCarthy report, he would no doubt do so on his own responsibility.
- (c) Failing that, he had undertaken to consult your Secretary of State further. If this point were reached, Ministers would need to consider carefully what advice he should be given. They should not attempt to take that decision without time for reflection; and they would need to have before them a paper analysing the possible options.
- (d) Your Secretary of State and his officials would be responsible for preparing that paper. They should consult the Departments of Employment and Energy, the CPRS and the No. 10 Policy Unit; and the Cabinet Office should provide any appropriate assistance required.

/ (e)

SECRET - PERSONAL

(e) As a potential contribution to the paper, Department of Energy officials should urgently prepare, in consultation with the Cabinet Office and others concerned, an analysis of the effect which closure of the railways for varying lengths of time as a result of the present dispute could have on the level of power station coal stocks by the beginning of November. This analysis should include consideration of the maximum steps which it would be practicable to take to rebuild such stocks once the railways reopened.

(f) If the McCarthy report were now accepted, on a basis which pointed towards a satisfactory productivity settlement with ASLEF in mid-March, a very serious situation would arise if at that stage such a settlement in fact proved impossible e.g. because ASLEF refused to accept a Railway Staffs National Tribunal Award which was a satisfactory outcome on productivity. Neither the British Rail Board nor the NUR could tolerate such a development, and renewed industrial action might well result. The Government would need to make clear that they saw no future for the railways unless productivity was improved; that they were not prepared to finance a high-cost low productivity railway; that, in such a situation, the railways would have to look for alternative, internal, sources of funds, by, say, disposal of their assets, with serious consequences on their investment and employment.

Further to (e) above, following Cabinet this morning, the Secretary of State for Energy had a word with the Prime Minister about rebuilding coal stocks. It was agreed, subject to Treasury agreement on the financial implications of these measures, that maximisation of both road delivery of coal to power stations, of oilburn, and of use of the Scottish link, should continue for the time being, notwithstanding the removal of the immediate threat of a rail strike.

I am copying this letter to Andrew Jackson (Home Office), John Kerr (H.M. Treasury), Muir Russell (Scottish Office), Julian West (Department of Energy), Barnaby Shaw (Department of Employment), David Wright (Cabinet Office), Gerry Spence (CPRS) and Barbara Wallen (Cabinet Office).

Yours sincerely,

Michael Scholten

Anthony Mayer, Esq.,
Department of Transport.

RM

GR
Please type

SECRET AND PERSONAL

Draft letter to Mr Mayer, D/Transport
from Mr Scholar

Mr. Scholar.

Phonetic
18/2/82.

The Prime Minister held meetings at 5.15 pm on 16th February and at 3.00 pm and 6.30 pm on 17th February to consider the implications of Lord McCarthy's report on the railway dispute. They were attended by the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Scotland (first two meetings only), Transport, Energy and Employment, Sir Robert Armstrong, Mr Ibbs and Mr Wade-Gery. At the first of these meetings your Secretary of State circulated a note by his officials entitled "McCarthy Inquiry Recommendations"; and the second meeting had before it Mr Wade-Gery's minute to me of 15th February covering a report by MISC 57 on power station endurance.

2. Ministers' conclusions, at the end of the third meeting, were as follows.

(a) No ~~further~~ advice need be offered to the Chairman of the British Railways Board for the time being. He was responsible for the continuing negotiations and nothing should be done to weaken his position.

(b) If the outcome of the current negotiations left him with a defensible basis for accepting the McCarthy report, he would no doubt do so on his own responsibility.

(c) Failing that, he had undertaken to consult your Secretary of State further. If this point were reached, Ministers would need to consider carefully what advice he should be given. They should not attempt to take that decision without time for reflection; and they would need to have before them a paper analysing the possible options.

(d) Your Secretary of State and his officials ^w should be responsible for preparing ^{that} ~~this~~ paper. They should consult the Departments of Employment and Energy, the CPRS and the No. 10 Policy Unit; and the Cabinet Office should provide any ~~assistance~~ appropriate *assistance required.*

(e) As a potential contribution to ^{the} ~~this~~ paper, Department of Energy officials should urgently prepare, in consultation with the Cabinet Office and others concerned, an analysis of the effect which closure of the railways for varying lengths of time as a result of the present dispute could have on the level of power station coal stocks by the beginning of November. This analysis should include consideration of the maximum steps which it would be practicable to take to rebuild such stocks once the railways reopened.

(f) If the McCarthy report were ^{now} ~~not~~ accepted, on a basis which pointed towards a satisfactory productivity settlement with ASLEF in mid-March, a very serious

situation would arise if at that stage such a settlement ^{in fact} proved impossible eg because ASLEF refused to accept the Railway Staffs National Tribunal's award. Neither the British Rail Board nor the NUR could tolerate such a development, and renewed industrial action might well result. The Government might need to make clear (in such circumstances) that they saw no future for the railways unless productivity was improved; that ~~they could not therefore provide money to finance the extra 3 per cent pay rise for ASLEF in the absence of such improvement; and that the railways' prospects as regards investment and employment would be bound to suffer.~~

was pointed to
which prevented
a satisfactory
outcome in
productivity

They were not read prepared
to finance a high-cost
low productivity railway
; that, in such a situation, the
railways would have to
look for alternative, internal,
sources of funds, by, say,
disposal of their
assets & in the
serious consequences on their
~~investment~~ investment
and employment.

3. I am copying this letter to the offices of others present at the meetings.

AD
SV

2



SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ

Prime Minister,

01 211 6402

RL

17ii

11 FEB 1982

J Hoskyns Esq
10 Downing Street
London
SW1

ms

17 February 1982

John

pt 2

Thank you for your letter of 12 January about the possible impact of the ASLEF strike on gas consumers with interruptible contracts. I am sorry that Joe Egerton felt unable to rely on the discretion of my officials although, thanks no doubt to your persuasion, he did subsequently contact David Mellor's office.

Since some 85% of oil deliveries are made by road or pipeline, it seems unlikely that ASLEF's action will prevent British Gas's customers with interruptible contracts from getting a sufficient supply of their alternative fuel. There has been some disruption to the normal pattern of oil distribution, caused by the recent bad weather, not the strike, but the oil companies say that they are being flexible towards people in difficulty.

BGC say that interruptible contracts are essential to balance supply and demand, and for the operational flexibility and security of the transmission system. As you rightly surmise, they do not of course interrupt unless they have to. However, demand for gas this winter has been breaking all previous records and, even after all interruptible supplies have been cut off, BGC have only been able to meet the peaks by using their limited supplies of expensive stored gas.

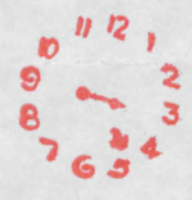
Looking to the longer term, you will know that one of the main proposals in the Oil and Gas (Enterprise) Bill, now before Parliament, is to allow the private sector to compete with BGC for the right to supply gas to most industrial and commercial consumers. This should ensure a better match between supply and demand for gas in future although this will inevitably take a little time. It should also allow consumers to choose from among the competitors for their business, the terms and conditions of supply which they prefer.

I am copying this letter to the recipients of yours.

John
Nigel

NIGEL LAWSON

17 FEB 1982



MR. SCHOLAR

Transport

cc: Mr. Hoskyns
Mr. Ingham
Mr. Duguid

ASLEF DISPUTE

We had a word this morning about the way in which Sir Peter Parker has conveyed a rather tougher line in response to the McCarthy report than might have been expected in view of the line Ministers yesterday asked Mr. Howell to convey to him. I have had a word with the Department of Transport. I am told that Peter Parker read over to Peter Baldwin the text of the proposed BR press notice, which seemed to DoT to meet Ministers' concern that BR should avoid putting ASLEF directly on the spot at this stage. The key sentence said that the Board would accept the Inquiry recommendations if ACAS received assurances from ASLEF about flexible rostering in acceptable terms. Thus it sought not to challenge ASLEF, but to seek ACAS help in clarifying the report. The press have, of course, interpreted this as being close to rejection of the Inquiry's recommendation that the 3% should be paid before the commitment is made to flexible rostering, but that may be no bad thing.

Mr. Howell spoke again to Peter Parker later last night, and it seems that BR are still inclined to go down the path of seeking some assurance on ASLEF's willingness to negotiate away from the eight hour day, and are not very keen on paying the 3% provisionally, which the NUR might not support. But all the four possible compromises indicated in my note of yesterday's date are still starters.

We may not know much by 3.00 p.m. this afternoon of what has been going on at ACAS, although we should of course know whether ASLEF has agreed to participate in the talks.*

We seemed to be getting to the stage yesterday of detailed textual analysis of the various documents; those concerned, possibly also including the Prime Minister, may like to have the enclosed copies of the August understandings.

17 February 1982

J.

* They now have

ADVISORY, CONCILIATION AND ARBITRATION SERVICE

1. As a result of discussions held under the auspices of ACAS on 18/19/20 August 1981, the RSNC has reached an understanding on pay. Stemming from Paragraph 190 of RSNT Decision No 75 a separate understanding has been reached on productivity. Copies of these understandings are attached.
2. In the event of there being any problem regarding the application of either of the two understandings the RSNC may request the further assistance of ACAS.
3. The three unions (ASLEF, NUR and TSSA) will take immediate steps to recommend these understandings for ratification by their respective executives, following which the ASLEF and NUR will countermand their decisions to call out their members as from 31 August 1981.

Signed on behalf of:

British Rail Board

B. A. Rose

National Union of Railwaymen

G. Green W. G. Bell

Associated Society of
Locomotive Engineers and
Firemen

Ray Buckton

20 August 1981

Transport Salaried Staffs'
Association

UNDERSTANDING ON PAY

1. As a result of discussions held under the auspices of ACAS on 18/19/20 August the RSNC has agreed that the 1981 pay settlement should be on the following basis:

- (i) Rates of pay for all grades concerned shall be raised by 8% from 20 April 1981.
- (ii) A further increase of 3% on the rates prevailing on 19 April 1981 shall be paid to the same grades from 3 August 1981, the actual payment being made in the first pay period in January 1982.
- (iii) The minimum earnings level shall be raised by 15% from 20 April 1981.
- (iv) The principle of returning the London Allowance to the method of calculation proposed in Paragraph 191 (iv) of RSNC Decision 75 will be applied from 1 July 1981.

2. The introduction of the shorter working week provided for in Paragraph 9 of the 1980 Pay Agreement shall be deferred until 4 January 1982.

3. The constituent parties of the RSNC accept the comments set out in Paragraph 190 of RSNC Decision 75 regarding the continuation of negotiations on productivity issues and commit themselves to continue the progress that has already been made in the areas covered by Clauses 1(i), (ii), and (iii) of the 1980 Pay Agreement.

20 August 1981.

UNDERSTANDING ON PRODUCTIVITY

1. The RSNC agrees that the discussions on productivity which took place at Watford on 15/16 July shall be resumed as quickly as possible within the appropriate sections of the RSJC and the results reported back to the RSNC.

2. When those discussions are resumed they shall take place on the basis of the following points agreed by the RSNC as a result of discussions held under the auspices of ACAS on 18/19 August.

a. Open station concept

The parties accept the application in principle of this concept and agree that it will be possible to negotiate a specific agreement to introduce it. Negotiations shall be concluded on a basis for agreement by 31 October 1981.

b. Manning of passenger trains

It is accepted that the introduction of the Bedford-St Pancras electrification service in May 1982 presents the industry with the opportunity of a fundamental rethink of the whole concept of manning trains where modern stock is introduced into intensive commuter areas.

Without any preconceived conditions on either side discussions shall take place on the prototype system for the Bedford-St Pancras service.

c. Variable rostering hours within limits to be negotiated

Negotiations shall take place to establish variations to the rostering agreements with a view to introducing some flexibility around the 8-hour day, but without producing unreasonable variation in the length of each working day or week. These discussions shall be concluded by 31 October 1981.

d. Easement of conditions of single manning on traction units

Negotiations shall take place on the proposals relating to single manning conditions, on the understanding that provisions will have to be made for appropriate safety measure and that there should be no worsening of staff conditions. These discussions shall be concluded by 31 October 1981.

e. Manning of freight trains

There shall be an immediate joint examination with a view to establishing to the satisfaction of the parties the circumstances in which some freight trains could be operated without guards. Two or three pilot schemes shall if possible be ready for introduction by 1 January 1982.

f. The trainman concept

Major obstacles between the unions which have prevented progress in this area in the past are being resolved. The ASLEF and NUR undertake to enter into immediate negotiations with the Board with a view if possible to concluding an agreement which would provide recruitment, training and promotion through the grade of trainman to driver or to other appropriate grades. The negotiations shall be concluded by 1 January 1982.

3. It is reaffirmed that specific rewards will be negotiated for those staff whose responsibilities are directly affected under these agreements.

20 August 1981

PRESS STATEMENT

As a result of discussions held under the auspices of ACAS on 18/19/20 August the Railway Staff National Council has reached an understanding on pay. Stemming from Paragraph 190 of Railway Staff National Tribunal Decision 75 a separate understanding has been reached on productivity.

Accordingly the three unions (ASLEF, NUR and TSSA) are taking immediate steps to consult their respective Executives.

AM had seen
17/2

SECRET

17 February 1982 12
Policy Unit

PRIME MINISTER

ASLEF

1. THE IMPORTANCE OF THE ISSUE

- 1.1 BRB originally said "Productivity must increase, or we can't pay the 3% or give BR a future". There is no way BR can avoid major restructuring and contraction if ASLEF-type behaviour continues, because the Government is not prepared to pour in more money. And, because of the attendant publicity, this dispute now has an exemplary effect - with implications for the pay round as a whole, and for our handling of the miners next autumn.
- 1.2 So BR cannot concede the 3% except by a policy of "ungraceful surrender", in which they publicly and explicitly abandon plans for the modernisation and electrification of the railways (analogous to Edwardes withdrawing the BL Corporate Plan, but not leading in the same way to liquidation).
- 1.3 Following this morning's press, public opinion would be hostile to acceptance by BR of the Inquiry's recommendations.

2. THE NATURE OF THE NEGOTIATIONS

- 2.1 ASLEF's position would be untenable, were it not for McCarthy. One has only to reverse the situation and imagine BRB demanding 7-9 hour rostering in return for an agreement to discuss the possibility of BRB at some time in the future paying a further 3%.
- 2.2 The argument that the pay and productivity agreements were not linked does not stand up. (Even McCarthy admits that one would not have been signed without the other.)

3. THERE IS NO WAY THROUGH FOR BRB, UNLESS THEY EXPOSE THE McCARTHY FUDGE

- 3.1 The greatest danger is that BRB start to slide down a route which is not consistent with their opening position. For example, they might agree (as they did before) to be bound by the McCarthy tribunal, provided ASLEF is bound. But their own position ought not to permit this. They could only suggest it if they were certain that McCarthy would not promise ASLEF everything they wanted, and if there appeared to be no other way forward.

SECRET
1

3.2

If BRB ask ASLEF for assurances that they will enter the discussions "in good faith" and "with a view to abandoning the 8-hour day", they can only get one of two answers:

- (i) Agreement (which means nothing, since the negotiation may still result in ASLEF's refusal to budge from the 8-hour day).
- (ii) Refusal (which produces immediate breakdown).

But BR could reasonably ask ASLEF to state unambiguously that they agree to move from a rigid 8-hour day.

3.3

Any strategy which tries to conceal the McCarthy fudge, rather than exposing it, leads inevitably either to continued re-runs of the events of recent weeks; or BRB surrender. The likelihood that the McCarthy proposal could lead to conclusions which were acceptable to BRB and consistent with BRB's original position, and were then accepted, as if binding, by ASLEF, are very low; and BRB cannot take the risk of being bound by conclusions which end up giving BRB nothing for their 3%. In short, we do not think the McCarthy report takes us any nearer settlement.

4. THE WAY FORWARD

4.1

So the choice is to accept the fudging approach, which means accepting that ASLEF and the 1919 mentality will dictate the future of British Rail; or to recognise that British Rail must be prepared for a prolonged strike in the attempt to undermine ASLEF's position irrevocably (but recognising that if it fails to do so it will have to settle for "ungraceful surrender"). In other words, the underlying truth of the situation is the surest guide to the right action. The strike would be about whether BR is to have an investment-led future or accelerated decline.

4.2

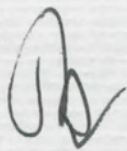
We think that Peter Parker should expose, totally, the muddle of the McCarthy proposals. We should tell him that the Government will back him if he tries to put the pressure on ASLEF by suggesting some form of conditionality. That could include the commitment to end the 8-hour day; or the payment of the 3% on a provisional basis; or anything else that occurs to him.

SECRET

4.3

So we think Ministers should decide:

- (i) Whether BR can avoid major contraction unless ASLEF agree to flexible rostering? If not -
- (ii) Whether they are prepared to take a rail strike, if necessary, and for how long it could be sustained. If so -
- (iii) What indications of Government support should be given to Peter Parker?



JOHN HOSKYNS

SECRET

for ~~the~~ Railway meeting

at 1500

17/2/82

C O N F I D E N T I A L

Mc CARTHY INQUIRY RECOMMENDATIONS

Status of Inquiry

The inquiry was set up by ACAS. The members are Lord McCarthy, Mr Chopper and Mr Doughty. These three between them constitute the Railway Staffs National Tribunal (RSNT), Lord McCarthy being appointed (and recently re-appointed by the Board, and Mr Doughty (ex-trade union) nominated by the unions.

2. The terms of reference of the inquiry were:-

"to consider the terms of the 1981 pay and productivity understandings ratified as agreements by the Railways Staffs National Council and, taking into account the agreement to introduce a 30-hour week, to make recommendations to resolve the differences over the payment of the further three per cent increase to footplate grades and over clause 'c' of the productivity understanding on flexible rostering and related matters."

The recommendations of the inquiry are not binding. BR were prepared to accept a binding inquiry, but ASLEF would not do so. Indeed, ASLEF refused to take part in the inquiry.

The McCarthy recommendations

3. The main points in the McCarthy recommendations are as follows:-

i. ASLEF should confirm its continued commitment to understandings of August 1981 - "negotiations shall take place to establish variations to the rostering agreements with a view to introducing some flexibility around the

8-hour day ..."

ii. A timetable is laid down for early and rapid negotiations within the established machinery on flexible rostering. If there is no agreement in the RSJC, the issue would be brought back to RSNT in mid-March. (The possibility of binding arbitration is mentioned, but in such a way as to make it difficult for BR to insist on this.)

iii. As soon as this procedure is agreed, ASLEF should call off industrial action.

iv. At the same time the Board should implement the additional 3% on pay.

v. The application of the shorter working week agreement would wait on the outcome of the dispute on flexible rostering.

Views of ACAS

It is known that ACAS are disappointed in the McCarthy report, especially the uncritical stance adopted towards ASLEF. However, they must try to build on the report, and the chairman is trying to get all the parties together today to secure agreement on the way forward.

Views of NUR and TSSA

Mr Weighell has said, "the parties should accept the recommendations. TSSA will no doubt follow suit."

Views of ASLEF

Not yet known. Will probably accept. If they cavil, or enter reservations, BR would be fully entitled to reject the recommendations, which depend on good faith.

Views of BR

Still considering. For them, the fundamental flaws in the report are

- a) it does not say that retaining the fixed 8 hour day is incompatible with introducing the 39 hour week at minimum cost
- b) it gives no guarantee that the eventual award of RSNT will be implemented; and meanwhile
- c) it gives away the 3% cord.

ISSUES FOR MINISTERS

1. If BR now reject the recommendations, and fight on, will the Government back them?
2. If BR seek to make conditions (eg the 3% is paid conditionally on the RSNT award being accepted, or the arbitration must be binding, or ASLEF must accept now the principle that arrangements like those negotiated with NUR would be applied, if RSNT so award) and ASLEF refuse, would the Government back BR them in rejecting the report?

ACAS is currently trying to secure the agreement of all parties to the following -:

~~To ask~~ "all parties to give unqualified acceptance of the report's recommendations and agreement to enter into negotiations without any predetermined condition or qualification about any relevant issue including the 8-hour day."

1) N.U.R. -

2) Ass. N.U.R. T.U.C. -
McCarty

3) Not regard letter as lost until end of tribunal.

PRESS NOTICE

RAILWAY DISPUTE

Report of ACAS Inquiry

The Committee of Inquiry into the Railway Dispute have today submitted their Report to the Chairman of ACAS.

After considering all the factors involved in the present serious and damaging dispute the Committee say in their report "We fully accept the need to make rapid progress to agreement on all remaining items in the productivity understanding, and to provide a framework of up-to-date agreements that are compatible with the operating requirements of a modern and efficient railway. But we feel that the best way out of the present problem is to find a means of utilising the established machinery, bearing in mind the need to avoid unnecessary delay and safeguard the interests and agreements of all the parties".

With this in mind they recommend in summary, the following:-

"1. The ASLE&F should confirm its continued commitment to the understandings of August 1981 as endorsed by the RSNC - in specific terms sub-paragraph 2(c) of the productivity understanding and paragraph 2 of the understanding on pay.

2. The parties should agree to procedures for dealing with the way in which sub-paragraph 2(c) of the productivity understanding is to be applied to locomotive grades. This should take the following form:-

i. There should be a meeting of the RSJC (Loco) within seven days to consider the Board's proposals to implement sub-paragraph 2(c). Unless agreement is reached within seven days, or the RSJC (Loco) agrees to

extend the period, a failure to agree should be recorded at a meeting of the RSNC held within a further forty-eight hours.

ii. Unless, at the meeting of the RSNC, agreement is reached, or the RSNC agrees to extend the period, reference should be made to the RSNT. This reference should take preference over all other outstanding references, under conditions set out in paragraph 38(d) of the report.

iii. Unless there is agreement to extend the period of consultation by the RSJC (Loco) or the RSNC, the parties should agree to a hearing before the RSNT on one of the following dates:- March 15, 16, 19, 1982.

iv. Reference to the RSNT should be by the use of either Paragraph 65(a) or 65(b) of the Machinery. If it is not possible to secure agreement for the use of binding arbitration, the parties should agree to abide by the more customary procedure under Paragraph 65(b) of the Machinery.

v. The terms of reference for the RSNT should be as set out in paragraph (60) of the Report.

3. As soon as this procedure is agreed the ASLE&F should agree to call off all forms of industrial action. At the same time the Board should implement paragraph 1(ii) of the 1981 Pay Understanding - the application of the shorter working week agreement, would wait on the outcome of the dispute over flexible rostering.

4. On the publication of our report the Chairman of ACAS should bring the parties together to assist the parties to draw up and agree the terms for its implementation.

Copies of this report will be available from ACAS on request".

Notes to Editors

1. The Committee was comprised as follows: Lord McCarthy (Chairman), Mr G H Doughty and Mr E F Choppen.

2. The Committee's terms of reference were:-

"To consider the terms of the 1981 Pay and Productivity Understandings ratified as Agreements by the Railway Staffs National Council and, taking into account the agreement to introduce a 39 hour week, to make recommendations to resolve the differences over the payment of the further 3 per cent pay increase to footplate grades and over Clause (c) of the Productivity Understanding on flexible rostering and related matters".

3. Copies of the report will be made available to the Press as soon as possible. They will thereafter become generally available on request to ACAS, Cleland House, Page Street, London SW1P 4ND (tel: 01-211 0325).



COMMITTEE OF INQUIRY
REPORT AND RECOMMENDATION
ON A DISPUTE BETWEEN
BRITISH RAILWAYS BOARD
AND THE
ASSOCIATED SOCIETY OF LOCOMOTIVE
ENGINEERS AND FIREMEN

ACAS 2C/120/1982

To:-

Mr J P Lowry, CBE - Chairman, Advisory Conciliation and Arbitration Service.

We were appointed on 2 February 1982 to inquire into the dispute involving footplate staff employed by the British Railways Board and to make recommendations.

In accordance with the terms of our appointment we submit the following report.

Signed/ McCarthy (Chairman)
E F Choppen
G H Doughty

DISPUTE BETWEEN THE BRITISH RAILWAYS BOARD AND THE ASSOCIATED
SOCIETY OF LOCOMOTIVE ENGINEERS AND FIREMEN

COMMITTEE OF INQUIRY

Lord McCarthy MA DPhil, Chairman - Fellow Nuffield College and
the Oxford Management Centre and University Lecturer in Industrial
Relations at Oxford.

E F Choppen CBE, Chairman - Petroleum Industry Training Board
Former Managing Director ESSO Petroleum.

G H Doughty, Former General Secretary - Amalgamated Union
of Engineering Workers, Technical Administrative and Supervisory
Section.

Representing the Parties were:-

British Railways Board

Mr C A Rose

National Union of Railwaymen

Mr S Weighell

Transport Salaried Staffs' Association

Mr T H Jenkins

INTRODUCTION

1. The Advisory Conciliation and Arbitration Service (ACAS) is established to provide conciliation and mediation as a means of avoiding and resolving disputes; to make facilities available for arbitration; to provide advisory services to industry on industrial relations and related matters; and to undertake inquiries as a means of promoting the improvement and extension of collective bargaining.

2. A dispute having arisen between the British Railways Board (BRB) and the Associated Society of Locomotive Engineers and Firemen (ASLE&F) involving the introduction of the shorter working week from 4 January 1982, the payment of 3% increase in wages to staff covered by the Railway Staff Joint Council (Locomotive Section) of the Machinery of Negotiation dated 1956 and negotiation on flexible rostering, ACAS invited representatives of the parties to talks with a view to helping them resolve the issue. Following failure to settle the dispute by conciliation the Chairman of ACAS decided to establish a Committee of Inquiry consisting of a Chairman appointed by ACAS and one representative from each side of industry, in order to inquire into the dispute, and to make recommendations with a view to resolving the differences.

3. On 2 February 1982 we were appointed as the Committee of Inquiry into the dispute with the following terms of reference:

"To consider the terms of the 1981 Pay and Productivity Understandings ratified as Agreements by the Railway Staffs National Council and, taking into account the agreement to introduce a 39 hour week, to make recommendations to resolve the differences over the payment of the further 3 per cent pay increase to Footplate grades and over Clause (c) of the Productivity Understandings on flexible rostering and related matters."

BACKGROUND

4. The 1980 pay agreement for workers in the railway industry contained a clause which provided a reduction in the working

week to 39 hours for conciliation staff and 37 hours for salaried staff from 1 November 1981 providing it was done within the context of discussion of measures to minimise the cost effect.

5. Agreement could not be reached between BRB and the trade unions in relation to a pay increase for 1981. As a consequence the disagreement was referred for determination to the Railway Staff National Tribunal (RSNT). In Decision No 75 the RSNT recommended that 8% should be paid from 20 April 1981 with an additional 3% paid from 1 August 1981 (on 19 April 1981 rates of pay).

6. The BRB reacted to RSNT Decision No 75 by declaring the financial position was such that it could not fund the additional £32m required to implement the increase in full unless there was more progress with productivity initiatives.

7. The railway trade unions felt that by rejecting the tribunal decision the BRB was jeopardising all that had been achieved in the past and was casting doubt on the credibility of the negotiating machinery.

8. Following failure to reach agreement at the Railway Staff National Council the BRB and the three railway trade unions decided to obtain assistance from ACAS. Discussions took place on 18, 19 and 20 August 1981 at the end of which two separate agreements were signed by all parties. One on productivity committed the parties to complete discussions by given target dates on the open station concept, manning of passenger trains, variable rostering hours within limits to be negotiated, easement of conditions for single manning on traction units, manning of freight trains and the trainman concept. The second agreement in relation to pay provided for (1) The payment of an 8% increase in pay from 1 April 1981 (2) Deferment of introduction of the shorter week from 1 November 1981 until the beginning of January 1982 (3) A further 3% increase in pay from the beginning of January 1982 retrospective to 3 August 1981.

9. The agreements reached in the discussions at ACAS were endorsed at a meeting of the Railway Staff National Council on 27 August 1981. On the productivity items it was seen as necessary to reach an agreement on variable day rostering by 31 October 1981 to facilitate the introduction of the shorter working week from 4 January 1982. Six meetings were held of the Railway Staff Joint Council (RSJC) (Locomotive Section) but the target date was overrun without any agreement.

10. On 23 December 1981 the BRB wrote to the ASLE&F and NUR notifying them that for those staff covered by the RSJC (Locomotive Section) they would not introduce the shorter working week from 4 January 1982 nor would they make payment of the additional 3% increase in wages.

11. As a result of the decision by the BRB the ASLE&F took industrial action.

12. The Board proposed a return to ACAS under the terms of the August understanding but conciliation by ACAS failed to resolve the dispute between BRB and ASLE&F. The Chairman of ACAS announced on 2 February 1982 the setting up of this Committee of Inquiry.

MAIN POINTS OF THE REPRESENTATIONS BY THE BRITISH RAILWAYS BOARD

13. The Board first referred to the 1980 Pay Agreement which included a commitment to progress negotiations on changes in national agreements and working practices. The items already tabled for negotiation by the Board included flexible rostering and easement of traction manning arrangements. The reduction of one hour in the standard working week from 1 November 1981, which formed part of the May 1980 Pay Agreement, was clearly understood to be on a minimum cost basis.

14. The Board's adoption of the 8% plus 3% pay increase, recommended by the RSNT in Decision 75, following the understanding

reached with the assistance of ACAS, was that there would be trade union commitment to negotiate on six specific items with target dates named for agreement. The six items included variable Day Rostering and Easement of Conditions of Single Manning, both with a target date of 31 October 1981.

15. The wording of the agreement was that negotiations shall take place to establish variations to the rostering agreements with a view to introducing some flexibility around the 8 hour day, but without producing an unreasonable variation in the length of each working day or week. That could only mean, for footplate staff, the intention of the understanding was to change the existing agreement relating to the 8 hour day minimum payment and to traction manning arrangements in particular.

16. In subsequent Railway Staff Joint Council (Locomotive Section) discussions, by refusing to depart from the 8 hour day, or to make positive progress on easement of manning conditions, ASLE&F had not honoured the understanding reached at ACAS on 19 August 1981, which was the forerunner of the pay understanding of 20 August 1981.

17. Methods of minimum cost implementation of the shorter working week were being applied to all other groups of railway staff. It was reasonable to expect a similar outcome for footplate staff.

18. The existing rostering arrangements for footplate staff were too rigid and were no longer appropriate to the present day requirements of the business.

19. The 8 hour day was the main issue. The Board's view was that it was clearly understood in principle in the August discussions at ACAS that there would be a move away from the guaranteed rigid 8 hour day. The Committee had heard the NUR comment about what they understood. The RSJC negotiations were to decide the new parameters, not the principle.

20. Variable day rosters would enable more effective use to be made of paid time, so increasing efficiency, productivity and offsetting the cost effect of a shorter working week.

21. At the same time variable day rosters would help to reduce the unsociability of footplate work by enabling the introduction of more rest days and longer periods clear of duty and by lessening the incidence of signing on and off between midnight and 5 a.m. The new rosters would also reduce overall working time.

22. The Board's proposal for a 7 to 9 hour variable day was reasonable flexibility around the 8 hour day. The draft agreement was parallel to that agreed for guards who had hitherto had similar rostering arrangements to footplate staff. The proposal did not represent a worsening in conditions. That was not just the Board's view; it was also the view of the NUR; they had made it very clear that they had not made a 'soft deal'.

23. The Committee should not be misled by the ASLE&F reference to BRB being unwilling to consider their alternative proposal. The only ASLE&F suggestion had been that "flexibility" should take the form of turns under 8 hours being paid a minimum of 8 hours and turns over 8 hours being paid overtime. This should be viewed against the ASLE&F statement recorded in RSJC Locomotive Section Minute L762 of 18 March 1980 that "they were not in favour of Footplate Staff rosters exceeding 8 hours daily".

24. The Committee would recognise that the "proposal" was what might be described as "take and take" and really no change from past and present practice. All the ASLE&F pronouncements showed an unwillingness to consider any arrangements which would truly be 'flexibility around the 8 hour day'.

25. The practicability of variable day rostering was demonstrated by its application in major European railway systems.

26. The Committee of Inquiry should devote its attention to

the question of variable day rosters including the associated change in manning, because that was the sole item out of the six listed in the understanding made at ACAS on 19 August on which there had been a recorded failure to agree and no willingness whatever, by ASLE&F, to meet the commitment to negotiate a change away from the current practice. However, the Board attached similar importance to each of the other five items and expected commitments to be met on all of them. Bearing in mind the nature of the understanding on productivity reached at ACAS the terms of the 1981 pay settlement and the course of events leading to the Inquiry, the Committee was asked to endorse the need for rapid progress to agreement on all items. The Board was prepared to pay the 3% increase as soon as the ASLE&F came forward to honour its commitment.

27. The evidence put before the Committee showed there were two separate understandings in August, one on pay and one on productivity. The pay understanding was free standing and was not conditional in the narrow technical sense on productivity being achieved although it had included a very important clause referring to continuance of negotiations. However, there should be no doubt that the pay understanding would not have existed in the form it did if it had not been preceded by the productivity understanding. That was not just the Board's view; it had been confirmed in the NUR and TSSA statements. They had demonstrated that both Trade Unions recognised, and continued to recognise, their commitment to negotiate and reach agreement on the listed productivity items. ASLE&F were parties to the same understanding.

28. It had been suggested that when the August 1981 agreement on flexible rostering was reached ASLE&F had overlooked the possibility that variable rosters prejudiced the retention of the 8 hour guaranteed day principle for trainmen. The fact should not be overlooked that ASLE&F, along with the NUR had already accepted the rescindment with the agreement to introduce the 39 hour week on a minimum cost basis a year previously with the 1980 pay settlement.

29. The understanding on pay and the understanding on productivity, whether free standing or not, enjoyed exactly the same status as agreements. One was no less binding than the other and if the Board were to be expected to renegotiate the productivity commitments through RSNC and RSNT it was also free to re-consider and review the pay elements in similar fashion. If ASLE&F's failure to honour the variable roster commitment was condoned, on the grounds that ASLE&F overlooked a 1919 Agreement, the Board could similarly say with a great deal more certainty that when it accepted the categorical assurances of the Unions that the productivity understanding would be met, it failed to consider that one of the participants would renege on a solemn pledge.

30. There had been a clear indication that at least one of the trade unions represented at the hearing held the view the Board should have used the railway procedure rather than withhold the 3% payment to Footplate staff. First, it was a fact confirmed by all the parties giving evidence that the Board could only agree to pay 11% in the two stages provided the unions committed themselves to greater productivity. That agreement was reached by conciliation through ACAS, ratified at the RSNC by the trade unions and the Board. Second, the flexible rostering item was to negotiate the extent of flexibility around the 8 hour day. Proposals were made by the Board and subsequently by the NUR, within the negotiations at the RSJC (Locomotive Section) meetings that took place on 6 occasions between September and November 1981. Third, when ASLE&F eventually refused to vary the 8 hour guaranteed day agreement they did not propose any other form of flexible rostering that could have met the principles described in the conceptual paper the trade unions were given in 1980 and which was discussed formally at the RSJC (Locomotive Section) meeting of 18 March 1980. When it became known that ASLE&F had broken their part of the bargain the Board tried to return to ACAS under Clause 2 of the agreement reached there in August which offered further ACAS help should any difficulty arise in connection with the pay and productivity understanding reached. ASLE&F refused to use the ACAS machinery. Bearing in mind

the very clear commitment reached at ACAS on flexible rostering the ASLE&F refusal to change from the 8 hour guaranteed day agreement was a clear breach of the productivity understanding. The Board, therefore, was equally entitled to withdraw from its side of the bargain, that was not to honour the pay agreement of which a further 3% was still due to be paid. On record at RSJC (Locomotive Section) was a refusal to honour the ACAS commitment on flexible rostering; repeated at the RSNC meeting on 2 December 1981 when the shorter working week was being discussed. It had been made clear by NUR and BRB that flexible rostering and the shorter working week were linked to the same need to change the 8 hour guaranteed day agreement.

31. The Board tried at RSNC in August to seek an agreement to change the 8 hour day arrangement. It then made efforts at RSJC to negotiate the parameters of flexibility and later again at RSNC failed to get ASLE&F to negotiate from the 8 hour day. The Board then had another refusal from ASLE&F to use the ACAS facility for dealing with difficulties expressly provided for in the original agreement. Later in January 1982 again with the help of ACAS the Board was willing to submit the dispute to the RSNT under Clause 65(a) for a binding decision which was also refused by ASLE&F. It was clear that ASLE&F would have attended further talks if the 3% had been paid in advance; there had been talks but no results. Against the record of meetings and decisions the failure by ASLE&F to honour its commitment was outstanding.

32. The outcome of the hearing was crucial to the future of the industry. In essence the question before the Committee was whether BR should be tied indefinitely to agreements which limited its efficiency and which could not be changed without overall benefit to the workforce. The railway industry had to change to compete: it had to compete to survive.

33. BRB asked the Committee to award as follows:-

- (1) that ASLE&F had failed to meet their commitment to negotiate a departure from fixed 8 hour day rostering;
- (2) that the proposals made by the Board for variable day rostering of footplate staff were reasonable;
- (3) that the draft agreement on variable rostering should be adopted and implemented, together with the draft agreement adjusting traction manning arrangements;
- (4) that the parties should expedite negotiations on the remaining items to which they were committed in the understanding on productivity reached at ACAS, in order to reach agreements within the machinery on a minimum timescale.

34. BRB emphasised the critical importance of productivity and efficiency to the whole future of the railway. Although the dispute centred specifically around the question of flexible rostering, the matter was much wider. Flexible rostering was one of the key elements in the Board's determination to secure a better future for the railways and for the people who worked in the industry. The Board and the Trade Unions were rightly pressing the Government for a higher level of investment, of which the electrification programme formed an important part, and for a stronger financial framework within which the business could be operated.

35. In putting forward that demand BRB had a responsibility to demonstrate that they were making the maximum contribution; that they were using effectively the equipment and manpower they had and that they were prepared to change their methods and working practices where this could lead to more efficiency.

36. Equal importance was attached to the objective of improving the pay and conditions of the workforce and it had consistently acknowledged the need to ensure that all staff were properly paid and that BRB was competitive in the labour market. BRB had consistently argued they could help themselves to generate the possibility for improvements from their own efforts.

37. All this had been stated in the Corporate Plan (1981-85) and in the statement on Rail Policy issued in March 1981. There was nothing new in the Board's determination to move forward on productivity and this was underlined in the negotiations on pay in 1981 and also in the deliberations and understandings reached with the help of ACAS in August 1981. The BRB agreement on pay was only possible because the trade unions - all of them - freely committed themselves to meaningful progress on productivity.

38. The resolution of the dispute was vital to the future of British Railways. If it was resolved positively it could help towards the better future - a future where it could be said with confidence that all were prepared to make their own contribution and ask the nation to make its contribution towards that better system which the country needed and deserved. But if it was resolved negatively, if BRB and the railway trade unions declined to make even this first, modest step forward, the future was bleak.

39. BRB hoped that the Committee would help to point the industry towards the brighter future.

MAIN POINTS OF THE SUBMISSION BY THE NATIONAL UNION OF RAILWAYMEN

40. As early as 2 April 1981 the unions wrote jointly to BRB making it clear that discussions on productivity should be pursued separately from the 1981 pay claim. Progress had already been made on the question of changes in work practices quite independently of the annual pay award. When, following the BRB's attempt to attach productivity conditions to the 3%, the NUR had been prepared to take industrial action in order to secure the

full implementation of RSNT Decision No 75. The NUR Secretary had played a central role in the subsequent discussions at ACAS which eventually led to a basis for settlement.

41. There could be no doubt whatsoever that the agreement reached at ACAS signed on behalf of the NUR committed the BRB to fully implement RSNT Decision No 75 which involved payment of the 3%. It was on this basis that the NUR demanded that NUR Footplate staff should be paid the 3% increase because it was seen the payment was separate and distinct from productivity. The Board's acceptance of this argument underlined their recognition that they had abrogated the understanding on pay for footplate staff reached at ACAS.

42. However, NUR would have been misleading the Committee if it did not also say that in accepting the understandings reached at ACAS the NUR knew that it was going to have to negotiate on all the six areas identified in the Understanding of Productivity. Without the commitment to implement RSNT Decision No 75 NUR would not have agreed but no one could doubt that without the Productivity understanding the Board would not have signed. Certainly, two separate agreements emerged but there could be no doubt that each was dependent on the other.

43. The NUR had shown how it interpreted the understandings reached at ACAS by fulfilling the obligations it had undertaken and it was for the members of the Inquiry to judge the merits of the arguments put forward by the parties in dispute.

44. Between April 1980 and September 1981 12,000 posts had been lost in the industry. The unions had co-operated with the BRB on productivity items; a conservative estimate of the savings achieved in labour costs as a result of changes was £55 million per year. Accepting the Understanding on Productivity was a further indication the unions were effectively fulfilling their commitment to continue the progress they had already made in that area.

45. An ad hoc meeting between the three railway unions and the Board took place on 11 January 1982. The NUR representatives at the meeting had argued that the Board were obliged to pay the 3%. The Board had at first argued they could only pay footplate staff, whether ASLE&F or NUR members, after agreement on variable rostering had been reached at RSJC (Locomotive Section). After adjournment they offered the 3% to NUR footplate members on the understanding that they regarded as acceptable the NUR's response to the productivity commitments. The NUR Executive Committee had re-affirmed their view was that the 3% was separate and distinct from productivity. Real improvements in pay were expected to result from any productivity changes agreed.

46. Flexibility in rostering was an item that had been under discussion since early in 1980. The Board had proposed to discontinue all existing roster agreements. The NUR had objected to what it saw in the Board's proposals as excessive variations in the length of shifts and the diminished responsibility of Local Departmental Committees (LDC's). It became NUR policy that the 39 hour week should be implemented on the basis of an additional rest day each eight weeks. The Board indicated that the policy was incompatible with the minimum cost clause in the agreement, and, therefore, was unacceptable. The Board's original proposal was that all groups of staff should have each turn reduced by 12 minutes. Between the two extremes was the basis for a settlement; the new agreement was for the rostering of turns between 7 and 9 hours.

47. The NUR saw the agreement achieved for guards and other conciliation staff on variable rostering as a good agreement. Instead of making the working life of railwaymen more unsociable it made it more sociable. The agreement increased the number of rest days, allowed for the grouping of rest days, reduced the number of turns booked on or off at unsocial hours, gave an inviolate right to free days, introduced a 39 hour guaranteed pay week and gave local control over rosters.

48. Although the 8 hour guaranteed day no longer existed it had been replaced by an equally watertight agreement which introduced the 39 hour week. In addition, the NUR expected real improvements in the conditions of service for its members financed out of funds generated from flexible rostering.

49. It had been made clear that the NUR was seeking for its footplate members a similar agreement to that made for guards. NUR had defended the 8 hour guaranteed day so long as there were no options that would improve the rostering arrangements of members while retaining payment agreement. The new agreement continued to guarantee payment and improved the rostering arrangements.

50. ASLE&F on the other hand had taken the view that the 8 hour guaranteed day was sacrosanct. On 18 November 1981 at RSJC (Loco) ASLE&F had admitted they might abandon the 8 hour guaranteed day principle if they could achieve tangible benefits from a new rostering system. Although several meetings had been held no agreement had been reached for variable rostering for footplate staff.

51. The NUR represented the bulk of the staff employed by the British Railways Board including some 1600 Footplate staff. It was, therefore, vitally concerned in seeking a solution to the current dispute. While the two parties faced each other in a slanging match the industry was bleeding to death. Freight was being lost, passengers were finding alternative ways of getting to work and when the dispute was over, as eventually it must be, BRB would be left to pick up the wreckage of the industry. Thousands of jobs belonging to NUR members were threatened not only on the Railways but also in the Workshops. Confidence in the industry had been seriously damaged and the real prospects of persuading Government to increase investment and push ahead with electrification would have been sacrificed because neither party had been prepared to compromise.

52. The NUR throughout had acted responsibly and in the best interests of its members. It had used the opportunity of the productivity discussions to improve conditions for its members and when the savings were tallied up NUR would be using them to bring further improvement to pay and conditions.

MAIN POINTS OF THE REPRESENTATIONS BY THE TRANSPORT SALARIED STAFFS' ASSOCIATION

53. The TSSA urged the Committee - even in the absence of the ASLE&F - to make a firm recommendation to enable the difficult situation to be resolved.

54. TSSA had a considerable number of members involved in the 1956 Machinery of Negotiation and Consultation. It also had a large number of members in other machineries. There were Senior Officers, Management Staff, Professional and Technical Staff and Workshop Supervisors. In addition there were staff employed in BT Hotels, BREL and other subsidiaries who are desperately under pressure. The dispute was affecting them all because there was a prospect of parts being sold to enable BR to cover their acute financial situation.

55. There were faults on the part of both BRB and ASLE&F. All sides could be castigated but all had to live as one railway family, not only today, but in the difficult times that lay ahead.

56. The BRB had acted injudiciously. But it would help if the whole issue was put back into the 1956 Machinery of Negotiation - TSSA believed that was the only way the problem would be resolved.

57. Clauses 16 and 17 of the Memorandum of Agreement signed in 1956 stated that first in no circumstances shall a matter in dispute between the British Transport Commission and a Railway Trade Union or Unions, which is within the scope of this Machinery of Negotiation, be referred to any person or body outside this Machinery until the matter had been considered at all stages

of this Machinery for which it is eligible. Second in no circumstances shall there be any withdrawal of labour or any attempt on the part of the staff to hamper the proper working of the Railway until any matter in dispute had been submitted through the proper channels to the higher Management, or, if such matter was within the scope of the Machinery of Negotiation, until the provisions thereof had been fully utilised.

58. There were breaches of procedure on both sides.

59. On the one hand, BRB had not acted properly bearing in mind that at no point in the agreement reached at ACAS or at subsequent RSNC meetings was it ever determined that the payment of 3% would be withheld if certain matters were not resolved. On the other hand, ASLE&F were in the wrong in that they had not been able to deliver in line with their commitment to productivity set out in the understanding on that matter reached in August 1981 after two long and exhausting days, before the drafting of the understanding on pay. Whilst the two understandings were separate and distinct, they hung together.

60. The question had arisen as to whether any of the parties could decide not to go to the RSNT if the BRB had utilised RSNC and RSNT. In this connection there was a precedent, as in the reference leading to RSNT Decision No 42 in 1974, for BRB taking the Trade Unions to the RSNT.

61. In June 1981 the BRB did not go willingly to the RSNT. It was the Trade Unions which made the reference and in the traditions of the industry the BRB attended and gave evidence. It was only fair to point out the BRB did not refuse to attend.

62. Both the BRB and the NUR had got the shorter working week and flexible rostering mixed up. In the TSSA view they were entirely separate matters. In fact, the shorter working week was part of the 1980 pay settlement and it was a matter of record that the method of introduction for clerical staff was

agreed in April 1981. That was well before the question of variable rostering became a major item in the productivity issues of the 1981 pay settlement.

63. In fact the mixed up thinking was clearly demonstrated in the RSJC (Loco) Minute of the meeting held on 30 November 1981 at which it was said that disagreement was reached. The minute was headed, and related to "Variable Rostering Hours within limits to be negotiated".

64. The meeting of the RSNC held on 2 December 1981 (2 days later) was in the words of the Chairman "called specially to discuss the position relative to the introduction of the Shorter Working Week, that was 39 hours for Conciliation grades and 37 hours for Salaried Staff". In the TSSA view a second item at that meeting should have been the question of flexible rostering bearing in mind "the failure to agree" reached at RSJC (Loco) on 30 November 1981. Here was a major failure to progress the matter inside the Machinery.

65. TSSA whose objective was to finalise the ruinous dispute at the earliest moment asked the Committee to determine:-

- (a) that there were no conditions attached to the payment of the 3% to all staff in the RSNC Minute No 846 which ratified the understanding on pay reached at ACAS and accordingly it should be paid to all staff covered by the 1956 Machinery of Negotiation.
- (b) that all parties should go through the proper procedure to resolve the dispute and in that connection the morality of commitment on productivity lay in favour of the BRB in that ASLE&F had so far failed to honour that commitment. Clearly, all parties needed to get back into discussion at RSNC and if progress could not be made the matter should be referred to the RSNT in the usual way. The processes should take a matter of hours rather than days.

66. The covering document to the "two understandings" arrived at at ACAS clearly said that the "RSNC" could go back to ACAS. That had never been activated because the RSNC was four parties and not one party. The BRB sought to go back to ACAS on their own. Although TSSA understood that the BRB and ASLE&F did go to ACAS on 30 December 1981 they could not make progress. TSSA firmly believed that if the matter had been to RSNC and all the parties had been available at ACAS there was a chance between them they could have helped to avoid the present situation.

67. The position of the whole industry was serious in the extreme. The industry needed recommendations from the Committee that would point all the parties along a road which would enable discussion to be resumed inside the Machinery. No progress would be made and stalemate would continue unless and until all the parties were got back into discussion inside the Machinery.

68. TSSA asked the Committee to recommend accordingly - and without any dubiety as to the direction, to the four parties concerned.

CONCLUSIONS AND RECOMMENDATIONS

A. Constraints and Problems

69. When we agreed to undertake this inquiry we were well aware of a number of constraints and problems which we would need to overcome. In the first place we were working against the background of continuing industrial action and the loss of railway services and revenue. At the very least this has imposed on us the need to find a quick and effective basis for a return to normal working. It has been our experience that tight time constraints are not the best aids to arriving at lasting solutions to complex industrial problems. Secondly, and just as important, we were already involved in the operation of the railway's established machinery for settling issues in dispute between all the parties. Our chairman is also the chairman of the Railway Staff National Tribunal. We have all been members of past Tribunals which have made awards which were likely to be quoted in this inquiry. Presumably it was partly for this reason that we were asked by the Chairman of ACAS to undertake the inquiry - it must have been assumed that we knew something about the issues in dispute. But our past involvement has made us very much aware of the need to safeguard the continued acceptability of the established machinery. We have, therefore, had to be careful to do nothing to undermine its future credibility in the eyes of all its signatories.

70. Yet as things worked out our third constraint proved to be the most severe. When we agreed to serve we were given reason to believe that all the parties to the machinery would appear before us. This did not turn out to be the case, and although we tried to secure the basis for the participation of the ASLE&F, it has not proved possible to arrive at a mutually acceptable way of securing this objective. Nevertheless, and after careful consideration, we were convinced that it was in the interests of all that we should not abandon our allotted task.

B. The Origins of the Present Dispute

71. Given these constraints, we feel able to pronounce upon the origins of the dispute. It arose out of the actions of the Board after the publication of RSNT decision 75. This decision was made under Paragraph 65(b) of the Machinery and was not binding on any of the parties. The Board were, therefore, free to take the view that the recommended pay increase of a further 3% from the 1st of August, 1981 was not acceptable to them unless there was more progress on 'productivity initiatives'. But the unions accepted RSNT 75 as it stood, and did not find the Board's view acceptable. Both the NUR and the ASLE&F gave notice of strike action to induce the Board to honour the terms of Decision 75 in full.

72. As a result the parties decided to obtain the assistance of ACAS and after discussion two 'Understandings' were agreed. The first dealt with six areas where the Board wished to see further progress to improve productivity. This dispute most directly concerns:-

(1) what was involved in sub-paragraph 2(c) which reads:

"c Variable Rostering hours within limits to be negotiated Negotiations shall take place to establish variations to the rostering agreements with a view to introducing some flexibility around the 8 hour day, but without producing unreasonable variation in the length of each working day of week. These discussions shall be concluded by 31 October 1981".

(2) It also concerns the 'Understanding on Pay', the relevant parts of which read as follows:

"1 (ii) A further increase of 3% on the rates prevailing on 19th of April 1981 shall be paid to the same grades from 3 August, 1981, the actual payment being made in

the first pay period in January 1982.

2 The introduction of the shorter working week provided for in Paragraph 9 of the 1980 Pay Agreement shall be deferred until 4 January 1982.

3 The constituent parties of the RSNC accept the comments set out in Paragraph 190 of the RSNC Decision 75 regarding the continuation of negotiations on productivity issues and commit themselves to continue the progress that has already been made in the areas covered by Clauses 1(i), (ii) and (iii) of the 1980 Pay Agreement".

(3) The relevant terms of the 1980 Pay Agreement dealing with the shorter working week are as follows:

"(9) The Board accepts a commitment to reduce the standard working week of staff covered by the RSNC from the present levels of 40 hours for Conciliation Staff and 38 hours for Salaried Staff by the equivalent of one hour from 1 November, 1981, providing this is done within the context of discussion of measures which will minimise the cost effect".

(4) Paragraph 190 of Decision 75 reads:

"We fully appreciate that given the financial and market constraints that press on the industry adequate pay and conditions must continue to be dependent on what can be done to maintain and improve productivity. It has been made clear to us that the current proposals for productivity improvements were not before us as a Tribunal and we were not asked to take them into account. Nevertheless, we were told by the Board that their present offer is dependent on the understanding that negotiations on productivity will continue. Moreover, all parties have pointed out that already substantial progress has been made as a result

of negotiations last year. We welcome this development, and hope that if our decision gains acceptance further and more substantial progress will be achieved".

(5) In addition to these two understandings the parties also agreed a preamble which reads as follows:

"1. As a result of discussions held under the auspices of ACAS on 18/19/20 August 1981, the RSNC has reached an understanding on pay. Stemming from Paragraph 190 of RSNT Decision No 75 a separate understanding has been reached on productivity. Copies of these understandings are attached.

2. In the event of there being any problem regarding the application of either of the two understandings the RSNC may request the further assistance of ACAS.

3. The three unions (ASLE&F, NUR and TSSA) will take immediate steps to recommend these understandings for ratification by their respective executives, following which the ASLE&F and NUR will countermand their decisions to call out their members as from 31 August 1981".

73. As we understand it the origins of the present dispute lie in the fact that there is no universally acceptable view of the obligations incumbent on one or another of the parties as a result of these agreements. We have to state, therefore, what we understand to be the position of each of them, to the best of our ability.

C. The Views of the Parties

74. The Board's view is that all along they made clear their intention to regard their obligations under sub-paragraph 1 (ii) of the pay understanding as 'conditional' on satisfactory

'progress' in respect of the understanding on productivity.

75. They assert that although there was somewhat slow progress in the implementation of some other parts of the understanding, there is only one part where they are complaining about the rate of progress at the present time; that is, sub-paragraph 2(c) on 'Variable Rostering hours within limits to be negotiated'. And even here their complaint is one directed at the attitude of the ASLE&F.

76. The Board charges the Society with failing to negotiate - by which they mean that the ASLE&F has not been prepared to consider forms of flexible rostering which involve moves away from the existing agreement on the eight hour guaranteed day. The Board's view is that the existing agreement is incompatible with the understanding on variable rostering and cannot be reconciled with the terms of Paragraph 9 of the 1980 Pay Agreement, which they accept they have agreed to implement from the 4th of January under the terms of paragraph 2 of the understanding on pay. As can be seen above paragraph 9 limits the Board's acceptance of a shorter working week to a form in which 'this can be done within the context of discussion of measures which will minimise the cost effect'.

77. In effect the Board is saying that its declared intention to make the payment of the additional 3% conditional on satisfactory progress on productivity justified it in refusing to grant ASLE&F members either more pay or shorter working hours, until a satisfactory agreement can be reached to implement the terms of sub-paragraph 2(c) for their members.

78. However, the unions appearing before us do not accept that the Board was justified in acting as it did. They stressed that the preamble to the understandings state that the productivity understanding was to be regarded as a 'separate understanding' to that on wages. It was true that reference was made, in paragraph 3 of the pay understanding, to the terms of Paragraph

190 of RSNT Decision 75. But, say the unions, as set out above this does not justify linking the 3% payment to further progress on productivity - indeed, this was precisely why the Board felt that they could not accept Decision 75 as it stood. It was to remove the threat of 'conditionality' that both the NUR and the ASLE&F threatened strike action. Evidence of their success lies in the specific terms of both agreements, which nowhere require payment to be conditional on satisfactory progress under any specified heading.

79. On the other hand both the NUR and the TSSA accepted that under the terms of the productivity understanding itself they were obligated to do their utmost to make progress towards the objectives set out therein. In the case of sub-paragraph 2(c) they were committed to negotiate 'to establish variations' to existing rostering agreements. This had involved modifications in the way in which existing guaranteed payments were operated, and forms of flexibility around the 8 hour day that made possible a reduction of the length of the working week which helped to reduce its cost.

80. Both unions had taken immediate steps, in the terms set out in the preamble, to 'recommend these understandings for ratification by their respective executives'. In their opinion the agreements that resulted were of advantage to their members and they did not wish to see them undermined or upset in any way.

81. The two unions before us also disagreed with the Board, in that they took the view that more use could have been made of the established machinery. Thus NUR took the view that there had been a clear failure to agree at RSJC (Loco) on the 30th of November 'on variable rostering and an equally clear failure to agree on the implementation of the 39 hour week in conjunction with variable rosters at the RSNC on 2nd December 1981'. They concluded: 'it was obviously open to the parties to proceed to the next stage'.

82. The TSSA, for their part, also took the view that there has been a failure to agree reached at RSJC (Loco) 'on the 30th of November 1981'. Their spokesman argued that at the subsequent meeting of the RSNC on the 2nd December one item 'at this meeting should have been the question of flexible rostering'. He concluded 'here was a major failure to progress the matter inside the machinery'.

83. On the other hand all parties who appeared before us state that after the Board determined to hold up the payment of the 3% the ASLE&F refused to allow an RSNC to take place until the payment had been made. As a result there was an informal meeting 'outside the Machinery' on Monday the 11th of January. But this failed to resolve the issues in dispute.

84. In short, the NUR and the TSSA take the view that although the Board only agreed to the pay understanding because it was able to secure the productivity understanding, the fact that no agreement had been reached with the ASLE&F on the implementation of flexible rostering did not justify the Board acting as they did. Payment should have been made and the issue of ASLE&F's attitude towards flexible rostering progressed through the established machinery.

85. Which brings us to the position of the ASLE&F itself. We have had to rely on the record of meetings of the RSNC and the RSJC (Loco) to gain our impression of their view. In particular we have used the minutes of RSNC meetings since the 27th of August and 'Notes of Joint Discussion' held at RSJC (Loco) since the 2nd of September. We fully appreciate that even where minutes are finalised and agreed they do not necessarily convey the precise nuances of discussions, especially those which have to summarise long and complex arguments. Nevertheless, if we are to make progress with our inquiries, and come up with helpful proposals, we must use the evidence which has been presented to us.

86. The first point to make is that nothing has been placed before us to suggest that the Society has formally reneged on the understandings reached with the assistance of ACAS, which were endorsed by ASLE&F at the subsequent RSNC. What they have done is to suggest that their implementation, in the forms so far advanced by the Board, give rise to numerous difficulties and problems. These would involve changes in existing agreements and understandings that would not be acceptable to their members.

87. The most frequently raised problem seems to concern the implications for the existing agreement providing for a guaranteed payment of eight hours pay - even where rostered hours are for less than this period. The Society has taken the view that the abrogation of the guaranteed payment agreement in its present form would represent a worsening of conditions.

88. Also objectionable to the ASLE&F have been the Board's proposals for lengthening roster time on a more systematic and regular basis than at present - that is, up to periods of nine hours. The Society has taken the view that the grades they represent have special problems of stress and strain and further argue that any significant increase in total hours could have an effect on safety and the domestic and social life of their members.

89. They have also argued that the specific examples of more flexible rostering placed before them suffer from practical defects; for example, they will require more administrative staff, create problems of 'spare coverage' and be difficult to operate in periods affected by annual holidays. They are also said to be difficult to square with established practices relating to the 'equalisations of earnings,' and the protection of 'sensible rest periods'. Other problems raised include the 'method of utilising spare men' and the provision of special trains. On balance, say the ASLE&F, the Board's proposals would produce 'a considerable amount of chaos and might even result in the cancellation of services'.

90. In any case, the Society argues that the Board already has at its disposal, considerable flexibility to vary the length and timing of rostered hours - for example, these can be moved '2 hours either way from day to day' under existing agreements.

91. Finally, the Society says that the introduction of the shorter working week, under the terms of the 1980 Pay Agreement, is 'separate and apart' from the question of flexible rostering. Asked about the references to the need to pay regard to 'measures which will minimise the cost effect' of shorter hours they appear to have replied that in their view this means 'minimising costs within existing agreements'.

92. Yet once again, at least on our reading of these documents, the Society has not wished to present its position as unremittingly negative and obstructive. Thus it has been prepared to discuss the limits of 'a mutually acceptable definition of flexibility around the eight hour day' - that is, in the terms set out in sub-paragraph 2(c). Our documents also suggest that it has asked that management consider 'a more acceptable variance to that proposed'. It has also said that it 'did not wish to prejudice any discussions which were taking place regarding other groups of grades'. Finally, on the 18th of November the notes of a joint discussion at the RSJC (Loco) suggest that the Society took the view that a modification of the eight hour day agreement would only be considered if 'the benefits derived from the new system adequately compensated their members'.

D. Our own Views

93. It seems to us that before we can make our recommendations for dealing with this dispute we need to state our own views on four related issues:

- (1) The relationship between the understandings on pay and productivity;

(2) The nature of the disagreement between ASLE&F and the Board at the time when the Board decided not to pay the 3%;

(3) The Board's decision and its consequences;

(4) The resources for settlement provided by the established machinery.

94. We accept that the board made it clear to the parties that it would not be possible to justify payment of the additional 3% unless there was satisfactory progress on the implementation of the productivity understanding. In this sense it may be said to have made a statement of intent about its own future attitude.

95. But we also believe that the other parties made it clear that they did not share this view of the Board's rights and obligations. They took their stand on the actual words in the two understandings and the preamble which preceded them. On this matter (it is clear to us that there is nothing in these agreements which makes the payment of the 3% conditional on the Board's view that satisfactory progress had been achieved under a particular heading. In effect the Board was not provided with a veto which they alone need interpret.

96. On the other hand, the two agreements are obviously related, in that they would not have been signed without each other. The productivity understanding was what the Board required before it would implement Decision 75. The unions agreed, because they wanted to secure the additional increase; although the NUR and the TSSA stress that in their view the subsequent implementation of the productivity understandings represent worthwhile agreements in themselves. These provide for additional time off, a reduction in unsocial booking on and off times, improved procedures for joint control and so on.

Indeed, the NUR stressed to us that hard bargaining, and a readiness to compromise in the interests of a more efficient railway system, should bring further rewards - for example, a result of paragraph 3 of the understanding which provides that:

'specific rewards will be negotiated for those staff whose responsibilities are directly affected under these agreements'.

97. Our own view is that what has been agreed so far as a result of these separate but related understandings reflects credit on those involved; nothing in this report is intended to undermine or detract from what has been achieved.

98. Which brings us to the nature of the disagreement between the Board and the ASLE&F. We think this mainly concerns whether or not sub-paragraph 2(c) involves and implies changes in other agreements and the practices which have been developed to implement those agreements. But it also involves the meaning and application of some of those agreements themselves - most notably the agreement on the implementation of the shorter working week.

99. Also in dispute between the parties are the practicality of the Board's proposals for footplate men and their likely impact on their working lives.

100. The stated view of the Board is that sub-paragraph 2(c) involves and implies far reaching changes in existing agreements and practices. They also take the view that its implementation is inextricably bound up with their proposals to move towards the shorter working week. What has been suggested has already been agreed with other grades - most notably in respect of guards. The Board considers this practical and reasonable and agrees that it should be accepted in principle by the ASLE&F.

101. The ASLE&F view, as we understand it, does not seek to renege on the understandings of August 1981 which they endorsed at the subsequent RSNC. What it does is challenge the Board's

interpretation of them as they apply to footplate grades. In particular, their view seems to be that the implications of subparagraph 2(c) can be reconciled with existing agreements, including the introduction of the shorter working week as specified in the 1980 agreement and paragraph 2 of the understanding on pay.

102. We fully understand the Board's viewpoint, and why it takes the view it does; what we feel is that within the context of its own commitment to improve productivity and contain costs the ASLE&F must be given an opportunity to make their case for an alternative solution in a forum where the Board can rely on receiving a speedy and independent judgement on the differences between them.

103. But, given the present circumstances, it seems unreasonable and counter-productive to expect us to provide a definitive answer to the complex questions in the absence of the ASLE&F and in the middle of an industrial dispute which is causing great harm to the railway and inconvenience to the public. We also doubt how far an answer of this kind, outside the confines of the established procedure, would be most likely to gain the general acceptance of all the parties involved. We fully accept the need to make rapid progress to agreement on all remaining items in the productivity understanding, and to provide a framework of up to date agreements that are compatible with the operating requirement of a modern efficient railway. But we feel that the best way out of the present problem is to find a means of utilising the established machinery, bearing in mind the need to avoid unnecessary delay and safeguard the interests and agreements of all the parties. In the final section of our report at paragraph 110(b) we advance concrete proposals to this end.

104. We turn now to our attitude towards the Board's decision not to pay the 3% and its consequences. We feel that the best case that can be made for the Board is that it had come to the conclusion that it was justified in acting as it did because ASLE&F was itself in breach of the productivity understanding.

The weakness of their position is, that as the Board's spokesman admitted, the pay understanding "was not conditional in the narrow technical sense on productivity being achieved, although it did include a very important clause referring to the continuance of negotiations".

105. As we have said one problem we have is that the absence of the ASLE&F from our hearings prevents us from deciding how far the Society were prepared to negotiate - on their own terms, if not those of the Board. But in any case the justifiability of the Board's action turns on another even more important factor - the alternatives open to them at the time. To decide this issue we must first consider our fourth question; the resources for settlement provided by the existing machinery.

106. We find that we cannot agree that there were no unused resources within the established machinery when the Board decided to withhold payment of the 3%. As the other unions state, there could have been a formal failure to agree on the 30th November at the level of the RSJC (Loco) which was used to open the way to a further 'declinature' at the subsequent RSNC. This could have led to a reference to the RSNT under the terms of Paragraph 65(b) of the Machinery. Any award made would not have been binding, but in our experience the record of the parties indicates that an RSNT report would have been considered seriously, and might well have offered the best way out of the current impasse.

107. Of course we understand why the Board decided instead to invoke the aid of ACAS, but when the ASLE&F refused to agree the established procedure could have been tried. On the other hand, it has been put to us that the ASLE&F is itself a party to the procedure, and that opportunities for further progression within the Machinery were open to them also. Unfortunately we have not been able to put this point to them to obtain their response.

108. As it was the Board decided to withhold the 3% and the ASLE&F seems to have taken the view that until this decision

was reversed they were not prepared to attend a meeting of the RSN. As a result the present dispute has escalated into a prolonged and damaging industrial conflict which we cannot believe that any of the parties either envisaged or desired. Our own view is that this was and is a disaster for the railway industry, but in the circumstances we do not feel it would help if we were to seek to apportion further blame. We would rather turn to our proposals for securing a settlement.

E. Proposals for a Settlement

109. The crux of our proposals lie in a re-assertion of ASLE&F's commitment to the understanding of August 1981 and a return to the established Machinery in a form that will ensure a rapid decisive settlement of the issues in dispute. If a procedure to bring this about can be agreed between the parties, the ASLE&F should call off its industrial action and the Board should agree to implement sub-paragraph 1(ii) of the pay understanding in respect of ASLE&F members - although the way in which the shorter working week is to be implemented in this case will have to wait on the outcome of the dispute on flexible rostering, since it is the subject of contention between the parties.

110. To this end we recommend:-

a) The ASLE&F should confirm its continued commitment to the understandings of August 1981 as endorsed by the RSNC - in specific terms sub-paragraph 2(c) of the productivity understanding and paragraph 2 of the understanding on pay. Viz.

11 "c Variable Rostering hours within limits to be negotiated. Negotiations shall take place to establish variations to the rostering agreements with a view to introducing some flexibility around the 8 hour day, but without producing unreasonable variation in the length of each working day of week. These discussions shall be concluded by 31 October 1981".

"2 The introduction of the shorter working week provided for in Paragraph 9 of the 1980 Pay Agreement shall be deferred until 4 January 1982."

b) The parties should agree a procedure for dealing with the way in which sub-paragraph 2(c) of the productivity understanding is to be applied to locomotive grades. This should

take the form set out below:-

- (i) First, there should be a meeting of the RSJC (Loco) within seven days of the acceptance of our recommendations. At that meeting the Board should present its proposals for implementing sub-paragraph 2(c) of the Productivity Understanding to footplate grades. Unless agreement can be reached on a means of implementing sub paragraph 2(c) within seven days, or unless the RSJC (Loco) agrees to extend this period, a failure to agree should be recorded and arrangements made for a meeting of the RSNC within a further two days.
- (ii) Second, unless at the meeting of the RSNC, there is agreement on a means of implementing sub-paragraph 2(c), or the RSNC agrees to extend this period, a failure to agree should be recorded and arrangements made for reference to the RSNT. It should be agreed that such a reference should take precedence over all outstanding references to the RSNT. The parties should also agree to accept one of the dates offered by the members of the RSNT for an early hearing.
- c) Unless there is agreement to extend the period of consideration by either the RSJC (Loco) or the RSNC, the parties should agree to a hearing before the RSNT on one of the following dates:- 15, 16 or 19 March 1982.
- d) As the parties are aware there are two alternative procedures for securing access to the RSNT. One of these involves Paragraph 65(a) of the machinery and requires the parties to accept a binding award. We understand why the Board, at one stage in this dispute, felt it could only consent to invoke the aid of the RSNT by the use of this procedure. They would be free to argue for its use in this instance. However, we cannot agree that this is the only way in which the established machinery can help. Therefore, if it is not possible to secure agreement to binding arbitration, use should be made of the normal avenue of advance to

the RSNT - that is, by the use of Paragraph 65(b). This would enable the Board to refer the issues in dispute to the RSNT in a form prescribed below. We have to say that in our experience all the parties have in the past shown respect for the Decisions of the RSNT, using Paragraph 65(b) of the Machinery. It is true that on one or two occasions what it has proposed has had to be modified, or even set aside, to provide the basis for an acceptable solution. But it cannot be over-stressed that in the great majority of instances it has proved possible to work towards a mutually acceptable solution by involving its aid.

- e) To help in this case we consider that it would be advisable for us to recommend to the parties a form in which the issues in dispute should be placed before the RSNT. Our recommendation is as follows:-

"To ask the Railway Staff National Tribunal, established under Appendix, Part VI, to the Agreement in regard to the Machinery of Negotiation for Railway Staff, dated 28th May 1956, to consider (under the appropriate paragraph)... the proposals of the British Railways' Board for the implementation of sub-paragraph 2(c) of the 1981 Productivity Understanding to footplate staff and to award".

- f) We have set out above a procedure for dealing with the way in which sub-paragraph 2(c) of the productivity understanding is to be applied to footplate staff. Given the agreement of the parties in dispute to this procedure, we recommend that two things should happen: The ASLE&F should agree to call off all forms of industrial action and return to normal working. At the same time the Board should agree to implement paragraph 1(ii) of the pay understanding.
- g) On the publication of our report the Chairman of ACAS should express his readiness to bring the parties together as soon as may be to assist in its implementation.

F. The Consequences of Rejection

111. We have done our best to discharge the complex and difficult task set us by the Chairman of ACAS. We have explained the constraints and problems which have been uppermost in our minds, we have stressed the need to preserve the industry's established machinery and the agreements that have already been reached to implement the August Understandings. We believe that what we have proposed offers the best prospect of tracing a way out of the present differences between the parties in dispute. The consequences of rejecting what we propose appears to us to be extremely grave and potentially disastrous.

112. The chance of agreement may offer a final prospect of moving towards the 'brighter future' which the Board has reminded us we all wish to promote. In this spirit we recommend our proposals to all the parties involved.

G. Summary

113. Our recommendations may be summarised thus:-

- (1) The ASLE&F should confirm its continued commitment to the understandings of August 1981 as enclosed by the RSNC - in specific terms sub-paragraph 2(c) of the productivity understanding and paragraph 2 of the understanding on pay.
- (2) The parties should agree to procedure for dealing with the way in which sub-paragraph 2(c) of the productivity understanding is to be applied to locomotive grades. This should take the following form:-
 - (i) There should be a meeting of the RSJC (Loco) within seven days to consider the Board's proposals to implement sub-paragraph 2(c). Unless agreement is reached within seven days, or the RSJC (Loco) agrees to extend the period, a failure to agree

should be recorded at a meeting of the RSNC held within a further two days.

- (ii) Unless, at the meeting of the RSNC agreement is reached, or the RSNC agrees to extend the period, reference should be made to the RSNT. This reference should take preference over all other outstanding references under conditions set out in paragraph 38(d) above.
 - (iii) Unless there is agreement to extend the period of consideration by either RSJC (Loco) or the RSNC, the parties should agree to a hearing before the RSNT on one of the following dates: - 15, 16 or 19 March 1982.
 - (iv) Reference to the RSNT should be by the use of either Paragraph 65(a) or 65(b) of the Machinery. If it is not possible to secure agreement for the use of binding arbitration, the parties should agree to abide by the more customary procedure under Paragraph 65(b).
 - (v) The terms of reference for the RSNT should be as set out in paragraph (b) above.
- (3) As soon as the procedure is agreed the ASLE&F should agree to call off all forms of industrial action. At the same time the Board should implement paragraph 1(ii) of the 1981 Pay Understanding.
- (4) On the publication of our report the Chairman of ACAS should bring the parties together to assist the parties to draw up and agree the terms for its implementation.

114. In conclusion we would like to thank all the parties who submitted evidence to us and our Secretary, Mr C L Parsisson.

February 1982

7 Signed 7 McCarthy (Chairman)
E F Choppen
G H Doughty



CONFIDENTIAL

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Prime Minister

Michael Scholar Esq
Private Secretary
10 Downing Street
LONDON SW1

I thought you might like
to have this in tonight's
16 February 1982

box, to study at greater
length.

Dear Michael,

MCS 16/2
mb

McCARTHY REPORT ON ASLEF DISPUTE

I attach a copy of the McCarthy Report
which we have just received. It is being
publicly released at 15.30 this afternoon.

I am copying this letter and the report
to the Private Secretaries of those Ministers
coming to this afternoon's 17.15 meeting, and
to the Private Secretaries of Sir Robert
Armstrong and Mr Ibbs.

Yours,

Anthony Mayer

R A J MAYER
Private Secretary

CONFIDENTIAL

SECRET

b.c. Mr. Whitmore
Mr. Ingham
Mr. Hoskyns
Mr. Scholar
Mr. Duguid

PRIME MINISTER

YOUR MEETING THIS AFTERNOON ON THE ASLEF DISPUTE

The first reactions of the BR Board and of officials to the McCarthy Inquiry were clarified at Sir Peter Baldwin's meeting at 2 p.m. this afternoon. Mr. Howell may bring to your meeting a short note of the issues, and he will need to supplement it with an oral report after he has found out what happened at this afternoon's meeting of the Board.

Mr. Howell saw Sir Peter Parker immediately after lunch. The initial BR view is that if the report had said that the negotiating procedure must end up with a binding award, they could have accepted it, but since it hasn't, they have a dilemma. Sid Weighell has already said that the report should be accepted by all parties; ASLEF are expected to do so eventually. McCarthy has given private indications that he will endorse flexible rostering in the further negotiations he proposes: but did not recommend it outright now because ASLEF would have rejected the report.

There are two quite strong arguments for acceptance of the report, which Mr. Tebbit will be briefed to put forward:

- (i) BR will have no sustainable public position if they reject it, because they will lose the goodwill of the other unions and of the public;
- (ii) no other way forward offers a better chance of an end to the dispute on satisfactory terms.

But there are also these arguments for rejection:

- (i) Whatever the Tribunal eventually says about flexible rostering will not be binding; we were sold a pig in a poke last August and we are now being offered another one; ASLEF's Executive is dominated by the far Left.

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- (ii) McCarthy effectively white-washes ASLEF without having taken evidence from them, and the public won't like it.
- (iii) The coal position is better than we thought: MISC 57 now reckons there are 14 weeks endurance without supply restrictions or the use of servicemen.
- (iv) Increased productivity is absolutely essential to economic recovery.

In practice, neither outright rejection nor outright acceptance by the Board is likely. They will try to search for a compromise, by attaching conditionality to the payment of the 3%:

- (i) They could seek an assurance from ASLEF that they really were prepared ^{to depart} from the 8-hour day. But ASLEF would not give it.
- (ii) They could seek a clarification of the first McCarthy recommendation, under which ASLEF confirmed their commitment to the August understandings. But that would not mean much.
- (iii) They could pay the 3% (as a bonus) provisionally, and withdraw it if the productivity is not forthcoming. ASLEF would probably regard that as tantamount to rejection of the report.
- (iv) They could agree to the report provided the Tribunal's recommendation was binding. ASLEF would certainly regard that as tantamount to rejection.

The decision for Ministers is whether the Government will sustain the BR Board if they seek conditions which carry the risk of continued industrial action. As you know, the Policy Unit is clear that we should: the industrial action is not hurting

/anything like

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anything like hard enough to justify giving in easily, and we do not see why ASLEF are any more likely to deliver now than they did after August.

It may be necessary to have a further meeting of Ministers, already arranged for tomorrow afternoon, in the light of further consideration by the BR Board, and of the public reaction to the Inquiry.

Jk

16 February 1982

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Ref: B06408

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MR SCHOLARSubject copy filed
on Nat. Ind., Coal, P46Coal and the Railways

At their meeting on 11th February Ministers instructed the Official Group on Coal to submit an urgent report on power station endurance in the event of the complete shutdown of the railways. This is now attached.

2. If the present rail stoppages continue, measures already in hand mean that power station coal stocks can be held at not less than their present level (11.8 million tonnes). If a complete shutdown started on 1st March, theoretical endurance might be until about the end of May. This would be without use of troops or electricity cuts. In practice, minor limitations on peak demand might be technically necessary from mid-April. There are too many variables for confident prediction to be possible.
3. I am sending copies of this minute to the private secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Industry, Energy and Employment; and to Sir Robert Armstrong and Mr Ibbs.

RLG.

15th February 1982

R L WADE-GERY

POWER STATION ENDURANCE IN THE EVENT OF THE
CLOSURE OF THE RAILWAYS

Note by the Official Committee on Coal

Introduction

1. At the Prime Minister's meeting on 11 February the Official Group on Coal (MISC 57) was asked to report urgently on power station endurance in the event of the complete closure of the railways. This report concentrates on the position in England and Wales. Power stations in Scotland could endure for substantially longer than those in England and Wales, and, as a result, the maintenance of electricity supplies in Scotland is unlikely to become a critical factor. The Scottish position is summarised in the Annex to the report.

Continued Coal Deliveries by Rail

2. Sufficient train drivers are members of only the National Union of Railwaymen (NUR) for them to maintain normal coal deliveries by rail to the power stations if the remainder of the railway network were to be closed down; any familiarisation training that they might require would take only two or three weeks. But only a small number of these men are normally employed on coal deliveries and we think it unlikely that the NUR Executive would be prepared to agree that their members should do more than their normal rostered turns in the event of the closure of the rail network. NUR members are already under instructions not to cross picket lines mounted by the Amalgamated Society of Locomotive Engineers and Firemen (ASLEF) and, although picketing is virtually non-existent, 90 per cent of NUR members are not reporting for work on strike days. Even if NUR members were prepared to continue to work normally it is unlikely that the National Union of Mineworkers (NUM) would be prepared to agree that their members should load trains other than those normally rostered and driven by the normal train crew. Thus, in the event of the closure of the railways we think that, at best, only insignificant volumes of coal would continue to be delivered to the power stations by rail.

Road Delivery of Coal

3. Normally about 100,000 tonnes of coal per week are delivered to the power stations by road; this has been increased to 275,000 tonnes/week during the rail strike. The National Coal Board (NCB) thinks that it would be possible to increase this to 350,000 tonnes/week by about the end of February, given continued co-operation from the NUM. But there is already some pressure on the NUM Executive to black coal deliveries by road above normal levels, and this is likely to increase. The extent of NUM co-operation is therefore likely to deteriorate over time. On the other hand pithead stockyards are filling up.

The point could therefore be reached when some pits might have to reduce or stop production, which would affect miners' bonuses. The threat of increased imports might also be used to persuade the miners to co-operate with the delivery of coal by road, although this would be seen by the miners as a provocative step and would therefore require careful presentation.

4. In the event of the complete closure of the railway the Central Electricity Generating Board (CEGB) thinks that a maximum of 450,000 tonnes of coal per week might be delivered by road by civilian drivers. But the NUM is highly unlikely to co-operate with this level of deliveries and it is therefore unlikely to be achievable in practice. On balance we think that the maximum delivery by road by civilian drivers will be about 350,000 tonnes/week.

5. We have previously reported that the Services have a theoretical capacity to deliver 750,000 tonnes of coal per week to the power stations. The key limitation is the capacity of the road system at the nodal points on the routes between the pitheads and the power stations. However, considerable - though not insuperable - logistic problems would arise in achieving and maintaining this rate of delivery for any length of time. More important, the NUM would undoubtedly refuse to load lorries delivered by Servicemen and any attempt to use Servicemen for this task could lead to industrial trouble in the mines. In any case Servicemen are unlikely in practice to prove capable of delivering very much more coal than civilian drivers. Thus we doubt that the use of Servicemen is a realistic option.

But if the willingness of the NUM to tolerate civilian drivers were to deteriorate sharply the option might need to be reconsidered, despite the logistical and law and order problems involved.

Deliveries of Coal by Water-borne Transport

6. Normally about 130,000 tonnes of coal per week is transported by sea to waterside power stations. This has been increased to 160,000 and this rate of delivery could be maintained for some weeks from existing coal stocks at the ports.

Imports

7. The CEGC have 1 million tonnes of coal stockpiled at Rotterdam, which could be imported. But if this were to be brought in at Thameside power stations it would displace a proportion of the NCB deliveries by sea referred to above. If, however, coal imports were to be landed at other ports it might prove difficult to transport it to inland power stations in the event of an all-out rail strike. Thus we think that the maximum level of coal deliveries possible through water-borne transport and imports would be no more than the 160,000 tonnes/week already mentioned.

Power Station Oilburn

8. Extra oil equivalent to 400,000 tonnes of coal per week is already being burnt in the power stations following the decisions reached by Ministers on 8 February and this will build up to a maximum of 500,000 tonnes/week in March. Neither this extra oil nor the oil burnt normally in power stations are transported by rail, and deliveries would therefore not be disrupted by the complete closure of the railway network. Fuel rods for nuclear power stations are transported by rail, but storage capacity is adequate for several months.

Electricity from Scotland

9. The maximum possible transfer of electricity from Scotland is broadly the equivalent of 0.1 million tonnes of coal per week. This is already taking place and would continue without interruption in the event of the complete closure of the railways.

Gasburn

10. Gas supplies in the United Kingdom have been badly depleted by the cold winter, and extra gas for burning in the power stations would therefore have to be imported by sea. The Department of Energy is investigating the possibilities, but it seems likely that the extension of endurance would be small for a very high cost.

Summary of Endurance

11. The supply position in England and Wales may be summarised as follows -

	<u>February</u>	<u>from March</u>
		tonnes of coal (or equivalent) per week
Coal		
- by road	275,000	350,000
- by water and imports	160,000	160,000
Power station oil burn	400,000	500,000
From Scotland	100,000	100,000
Total	935,000	1,110,000
Weekly Power Station coal consumption	1,800,000	1,700,000
Shortfall	865,000	590,000

12. Endurance will therefore depend on how long the weekly shortfall could be met from power station coal stocks. These are now stabilised at about 12 million tonnes, of which the CEGB believe 9 million are usable. If for example the present ASLEF stoppages continue through February and the rail system is then closed down on 1 March, stocks ought in theory to last for perhaps 12 weeks thereafter, without supply restrictions or the use of Servicemen.

Electricity Supply Reductions

13. However, in practice the CEGB would wish for technical reasons to introduce a measure (perhaps 5 per cent) of electricity supply reductions to deal with peaks of demand about 7 weeks or so after an all-out rail strike began. But once power station coal stocks had been exhausted the other sources listed above could supply only about 70 per cent of expected demand. Power supply cuts at least twice as severe as the three-day week would therefore be unavoidable. Stocks held by coal burning industry particularly British Steel, are likely to be depleted well before then.

Costs

14. The total cost to public expenditure of the above measures is likely to be £30-35 million/week, make up of the costs of oil purchases and the NCB's irrecoverably lost coal sales. The Chancellor of the Exchequer and the Secretary of State for Energy are considering whether these should be met by a special grant or by increased borrowing by the CEGB.

Cabinet Office

16 February 1982

POWER STATION ENDURANCE IN SCOTLAND

1. Endurance in Scotland would be longer than in England and Wales, mainly because a smaller proportion of coal deliveries is normally carried out by rail but also because existing stocks are higher. At present stocks amount to around 1.05m tonnes. The following table shows prospective endurance, assuming weekly consumption to meet Scottish demands of 150,000 tonnes, continuous export of 1,000 MW (the maximum possible) to CEGB, and non-rail deliveries of 100,000 tonnes per week.

2.	Coal Deliveries (tonnes/week)	Coal Consumption (tonnes/week)	Stock Run-down (tonnes/week)	Endurance (weeks)
Present endurance with no out-of-merit oil burn	150,000	225,000	75,000	14
Endurance assuming no rail deliveries, but with no oil burn	100,000	225,000	125,000	8½
Endurance assuming no rail deliveries and introduction of maximum oil burn when rail rail deliveries cease	100,000	125,000	25,000	42

3. The current level of non-rail deliveries is somewhat above 100,000 tonnes per week. Deliveries could drop below this level if NUM co-operation were withdrawn, but would be unlikely to fall below 75,000. It will be seen that the Scottish Boards are at present providing the exports to CEGB from their coal-fired stations, since they consider their endurance position to be reasonably secure. The Boards will be keeping under review the possibility of switching to oil-fired capacity, but as the last line of figures shows their position once this is done becomes extremely strong. They therefore believe they can postpone for some weeks any decision to commence oil burn out of merit order.

MR. WHITMORE

cc: Mr. Scholar o.r.
Miss Stephens
Mr. Hoskyns
Mr. Ingham

ASLEF DISPUTE: HANDLING OF THE McCARTHY REPORT

I reported on Friday evening the outcome of Sir Peter Baldwin's meeting about the handling of the situation that will arise after Lord McCarthy reports; since events will move rather quickly in the next two days or so, it may be helpful if I set out the likely sequence of meetings and decisions required.

As agreed at the meeting on Friday, Mr. Howell has now spoken to Sir Peter Parker, who has undertaken that the BR Board will make no comment at all on the report of the McCarthy inquiry until he has had some communication with the Government. In practice, since the BR Board will meet on Tuesday afternoon, they may well be able to avoid commenting until Tuesday evening.

MISC 57 met this morning, as instructed by Ministers at their meeting on 11 February, and agreed a paper which, after confirmation of some of the details, will be circulated to Ministers first thing tomorrow morning. That will conclude with the assessment that in the event of an all-out strike starting on 1 March, power station endurance will be about 11 weeks, without the use of rota cuts or troops. But, of course, demand restrictions would have to be introduced before the 11 weeks were over.

No-one is any the wiser at lunchtime today than they were on Friday of whether the McCarthy inquiry team could reach agreement, or what they were likely to say. But it is still expected that they will report tomorrow morning, and we may also expect massive newspaper speculation tomorrow, probably as uninformed as it has been over the weekend.

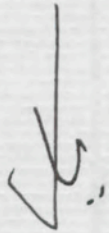
Sir Peter Baldwin will be holding another meeting of his group, which I shall attend, at 2.00 p.m. tomorrow, which will attempt to provide a short paper setting out the facts of the inquiry report,

/ and

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- 2 -

and the immediate response from ACAS and the unions; that report would then be available for Ministers to read at the beginning of their meeting at 5.15 p.m. tomorrow afternoon. Clearly, in case the McCarthy report is delayed, we need to retain the meeting slot for 3.00 p.m. on Wednesday afternoon. I doubt if it will be possible for me to provide ~~ide~~ any help for the briefing for Prime Minister's Questions after Sir Peter Baldwin's meeting, and I think the Department of Transport will have to provide a holding reply at lunchtime.



15 February 1982

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Subject copy filed on
Nat. Ind., Coal, P46.

(2)

Prime Minister

MS.

PRIME MINISTER

Relevant to the meeting we have
arranged at 1715 on Tuesday; McLachlan
is now expected to report on Tuesday
morning.

Ms 12/2

NCB ROAD DELIVERIES TO POWER STATIONS

At yesterday's meeting I undertook to let you have a note about the meeting of the NUM National Executive Committee that same day to discuss what support the NUM should give to ASLEF, in particular by preventing the delivery of coal to the power stations by road.

The outcome was reasonably satisfactory. Joe Gormley stressed that the NUM were concerned lest the ASLEF action led to the closure of pits, as pithead coal stocks reach capacity levels. Having voted against a strike, the miners clearly do not want to lose substantial sums of pay because of the ASLEF disruption. It is helpful that the NUM will be meeting all three rail unions next week, as this will ensure that the NUR continue to urge the NUM not to take any drastic action in support of ASLEF. Joe Gormley will use the occasion to play the NUR off against ASLEF.

The Coal Board's preliminary assessment of yesterday's NUM meeting is that they would expect to be able to maintain existing levels of deliveries by road to the CEEB and SSEB in the coming week, ie some 250,000 tonnes to the CEEB and 28,000 tonnes to SSEB. They would hope to be able to improve on this level during the week after next. Deliveries of coal by other modes of transport are unlikely to be affected.

The Board have promised to keep me informed of their assessment as the position develops and notably after next week's meeting between the NUM and the three rail unions. They emphasise that the situation can change in pits from day to day, and even from shift to shift. They therefore suggest that too much attention should not be paid to press reports on developments at individual pits.

I would add that the Board have assured me there is no possibility of their agreeing to the suggestion of a Welsh NUM official, recorded on the tapes, that coal would be moved to temporary stock piles and then returned to collieries after

the dispute had ended. When facilities for stocking coal at the pits are full the men will be transferred to other work, eg maintenance and new drivages. If necessary the Board are prepared to close down pits, although this seems unlikely to happen in the near future.

I am sending copies of this minute to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Defence, Scotland, Industry, Transport and Employment and to Sir Robert Armstrong and Mr Ibbs.

Anthony Chadwick

Secretary of State for Energy
(Approved by the Secretary of State
and signed in his absence)

12 February 1982

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Prime Minister ✓

②

Mr Howell will also be ~~pre~~ enquiring 8

MR. SCHOLAR

from Sir P Parker about Mr. Hoskyns
Mr. Duguid
the impact of the Board's

ASLEF DISPUTE

position on ASLEF earnings and days/hours worked. M/S 12/2

Sir Peter Baldwin held a meeting of officials this afternoon to discuss the ASLEF dispute, I believe at Sir Robert Armstrong's suggestion. I attended along with Bill Ryrie, Robin Ibbs and Douglas Smith. There are not quite enough new developments to justify Mr. Howell reporting to the Prime Minister over the weekend, but I undertook to pass on the gist of them. We concentrated almost entirely on the handling of the aftermath of the McCarthy Report.

It is known that McCarthy will be composing his report today and tomorrow, and will transmit it to his two colleagues on the Inquiry on Sunday. All three will meet on Monday, and if they agree, the Report will be printed on Monday night and delivered on Tuesday morning. It is a reasonable assumption, therefore, that Ministers need not meet before Tuesday to consider their reaction to the Report.

meeting arranged for Tues, at 1715 M/S

The Report goes to ACAS, who are expected to use it as the basis for extensive consultations with the parties concerned. The ASLEF Executive are likely to go into a long period of internal consultation before deciding whether to participate in further ACAS talks. The Report will be available to the Government as soon as it reaches ACAS. The British Railways Board meet on Tuesday afternoon, and are likely to decline to comment on the Report until they have met.

We have no firm information as to what the Report will say. Officials expect that it will say that British Rail is formally wrong to withdraw the 3%, and that it may say that ASLEF have not honoured their August commitment. It is very likely to urge an end to industrial action. Beyond that, its recommendations will be a mixture, which we cannot at present predict, covering the payment of the 3%, introduction of the 39 hour week, flexible rostering, and the use of the negotiating machinery.

/ BR are taking

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- 2 -

BR are taking steps to establish the climate of opinion among ASLEF staff, and some information on that should be available on Monday morning. The same official group is standing by to meet again on Monday afternoon if that seems likely to be useful.

The only decision taken so far is that Mr. Howell will speak to Sir Peter Parker, with whom he is of course in regular contact, on Monday morning. He will ask what the Board's assessment of ASLEF opinion is; he will say that he hopes that however BR play the immediate negotiations following the receipt of the McCarthy report, they will avoid committing themselves precipitately until Ministers have had a chance to consider the Government's position; and he will reassure Sir Peter Parker that there has been no change of attitude by the Government towards the dispute.

J.M.M. VEREKER

12 February 1982

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SUBJECT

attach

SECRET AND PERSONAL

cc: HMT
HO
SO
MOD
IND
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file Transport
Subject Copy + draft
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10 DOWNING STREET

bc J. [unclear]

12 February 1982

From the Private Secretary

COAL AND THE RAILWAY

The Prime Minister held a meeting yesterday morning to discuss the railway dispute. Those present were the Home Secretary, the Secretaries of State for Defence, Scotland, Energy, Industry, Transport and Employment, the Chief Secretary, Treasury, Sir Robert Armstrong, Mr. Ibbs and Mr. Wade-Gery.

The Prime Minister, summing up the discussion, said that there seemed no prospect of an early resolution of the rail dispute. Ministers would need to meet again as soon as Lord McCarthy's inquiry had reported. Meanwhile MISC 57 should report urgently on power station endurance in the event of the complete shutdown of the railways. The Secretary of State for Scotland should consider whether the South of Scotland Electricity Board should be encouraged to increase its rate of power station oilburn. The Secretary of State for Transport should seek to discover very discreetly from the Railways Board what were the detailed implications of their proposals on ASLEF members' earnings and hours/days worked and should encourage the Board to make a much more vigorous publicity effort to get their case across to ASLEF members. The Ministers directly concerned would need to meet once the McCarthy inquiry had reported, to consider the situation as it then stood and the Government's stance in relation to it. The Secretary of State for Transport, in consultation with the Secretary of State for Employment, the CPRS and the No. 10 Policy Unit, should prepare for that meeting advice on the situation and prospects, and on any action it might be appropriate for the Government to take. In the meantime, it was vital that the Government should continue to remain apart from the dispute and not seek to make it a matter of Party political controversy. Ministers would need to consider at a later stage the Government's response to any request from the Railways Board for an increase in their temporary borrowing powers.

We have tentatively arranged the meeting to which the Prime Minister referred for Tuesday 16 February at 1715 hours or Wednesday 17 February at 1500 hours (depending on when McCarthy reports; the earlier time, if possible - we will let you know) with your Secretary of State, the Home Secretary, the Chancellor of the Exchequer and the Secretaries of State for Scotland, Energy and Employment.

/ I am sending

MISC 57
met on 19th
discuss
on next
At6
Coal

SECRET AND PERSONAL

- 2 -

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

M. B. SCHOLAR

Anthony Mayer, Esq.,
Department of Transport

Ac

SECRET

Prime Minister

10 February 1982

Policy Unit

6

PRIME MINISTER

ASLEF DISPUTE

Handwritten signature/initials

We have had extensive discussions with CPRS and also some discussions with David Howell's office. We have not had an opportunity, at the time of drafting this minute, of seeing the CPRS minute for tomorrow's meeting, but we know roughly what it will contain. Here are some comments:

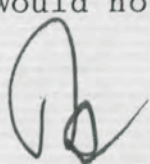
1. Our judgment remains that ASLEF's leaders and members are capable of sustaining the present level of disruption for longer than the commuters. There is some anecdotal evidence from the newspapers that commuters are working from home, taking holidays etc. It is unlikely that they can continue to do this indefinitely. By contrast, Department of Transport believe that quite a lot of ASLEF drivers have second jobs; we know that a third of them are over 55, and half of them over 50, so they have few family commitments. Moreover, 30% are paid monthly and have only just had their first pay slip showing lost earnings. It seems that ASLEF members are impervious to arguments about the future of the industry, effect on job prospects and also to TUC pressure.
2. Possible extension of present ASLEF disruption. It is possible that ASLEF might selectively disrupt coal movements on working days, while maintaining the present pattern of disruption elsewhere. This would lead to suspension of those involved and would mean maximum use of civilian transport, and eventually troops.
3. Should we consider escalation and closure of the system? We understand that David Howell assumes that this option is effectively ruled out by Nigel Lawson's grave warnings on coal endurance, the need for rota cuts immediately after closure, etc. Nigel's assessment of endurance at Monday's meeting was much gloomier than his own earlier figures had suggested, and we are doubtful about that assessment. With seven weeks' endurance, rota cuts should not be required immediately after closure, but maximum use of civilian transport, and eventually troops, would be required. We understand that ASLEF executive voted only 4-3 against an all-out strike but that consultation at branch level suggested a 4-1 membership majority against. This suggests that ASLEF members can sustain present disruption but would be hesitant about an all-out strike or closure.

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4. How might closure of the rail system end? Such evidence as there is suggests that ASLEF membership would not welcome total closure and they might therefore crumble fairly quickly. If closure did not bring ASLEF back to the negotiating table (and we may not want them there because "splitting the difference" would create problems with NUR) BR could consider an "ungraceful surrender". The 3% would be paid but it would be made quite clear that British Rail would start to run down, there would be no money for future pay increases, electrification schemes would be cancelled, steps taken to liberate road passenger transport, etc. That would be the worst case outcome for BR Board, and thus the Government (and, of course, for ASLEF and NUR in the long term).
5. We suggest that BR should ballot the ASLEF membership. BR do have the home addresses of all ASLEF members. A natural opportunity for a ballot would arise in the last week of February when BR reaches its borrowing ceiling and can validly threaten closure. BR would therefore warn that closure was imminent and unavoidable, and the ballot would ask the simple question: "Do you want to return to normal working, or would you prefer to be laid off as a result of closure of the rail system?" Alternatively, the ballot could be arranged less formally, by simply asking those who didn't want the system to close to turn up for work on Monday.
6. If the ballot outcome favoured a return to work, we think the strike would crumble. The ASLEF executive would then have no cards to play. If they were not prepared to negotiate afresh over the 3% and productivity, they would be tacitly accepting an 8% increase only.
7. If the ballot outcome was for closure, BR would close the system but would continue to pay NUR members for the basic week. If ASLEF outstayed British Rail, the latter would have to take the "ungraceful surrender" route described in 4 above, the Government being in no way involved.
8. We do not regard the idea of "accelerated destruction" of ASLEF as realistic. Quite apart from Bridlington, the TUC - and even the NUR - would not stand by and let this happen.

I am copying this minute to Robin Ibbs.


JOHN HOSKYNS

SECRET

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Coal File

Ref. A07404

PRIME MINISTER

Coal and the Railway

BACKGROUND

At your meeting on Monday the Secretary of State for Energy was asked to report quickly on the endurance that power station coal stocks might offer in the event of an all-out rail strike, with:-

- (i) NUR drivers moving the maximum coal to the power stations by rail;
- (ii) no co-operation from the NUR but maximum deliveries of coal by road by civilian drivers; and
- (iii) Servicemen moving coal by road.

He was also asked to consider to what extent the NUM might continue to co-operate under each of the above scenarios.

2. The following other work was also commissioned at Monday's meeting:-

- (i) the Secretary of State for Energy to investigate what is the maximum level of coal that can be delivered to the power stations by road and water-borne transport;
- (ii) the CPRS to consider, in consultation with the No 10 Policy Unit and the Departments of Transport and Employment how a wedge might be driven between ASLEF and its membership and between ASLEF and other key trades unions;
- (iii) the Secretary of State for Transport to consider the options open to the Government in respect of the limit on BR's temporary borrowing; and

- (iv) the Secretary of State for Industry to consider with the Chairmen of British Steel and British Leyland whether the trades unions in these industries could be persuaded that the long-term implications of a continued or escalated ASLEF dispute were sufficiently serious to pressure ASLEF to compromise.

Power Station Coal Stocks

3. The level of power station endurance is critical to judgements on the tactical handling of the ASLEF dispute. At Monday's meeting the Secretary of State for Energy said that power station endurance could be stabilised at about $4\frac{1}{2}$ weeks with immediate maximum power station oilburn (which Ministers authorised) provided that the ASLEF strikes continued on the same pattern; but that if the railway were to close completely immediate cuts in electricity supplies equivalent to about a 3-day week would be required.
4. Power station coal stocks currently stand at $13\frac{1}{2}$ million tonnes - equivalent to at least 5 weeks endurance at normal levels of electricity supply. Power station coal consumption is currently about 2.0 million tonnes/week, but it should begin to decline quite rapidly from early March; by early April it is likely to be about 1.6 million tonnes/week.
5. Maximum oilburn (equivalent to 800 000 tonnes of coal per week) and the present levels of coal delivery by road (250 000 tonnes per week) together provide about half of the weekly power station coal requirement. Thus even if there were an immediate shutdown of the railway power station coal stocks should last for about 10 weeks (ie. to at least mid-April); and it should be possible to endure almost indefinitely the present pattern of ASLEF strikes, albeit at a weekly net cost of £40 million for the necessary power station oilburn.
6. Power station endurance would be increased in the event of a complete rail shutdown if more coal than at present could be moved by road, which ought to be possible in a crisis. Previous work by MISC 57 suggested that the Services had a theoretical capacity to move 750 000 tonnes of coal per week by road. If anything near this could be achieved by Service or civilian drivers endurance might be as much as 15-20 weeks.

7. Even if the NUM did not co-operate in the movement of coal by road and none moved in this way leaving power stations only maximum oilburn and their own coal stocks, endurance ought to be about 8 weeks.

8. Once power station coal stocks are exhausted drastic electricity supply reductions seem inevitable in the event of a complete rail shutdown if fresh coal deliveries from the pits are successfully prevented. But on any reasonable assumption about power station coal stocks and deliveries this is some way off.

ASLEF

9. I understand that the CPRS is likely to conclude that the only realistic options are:-

- (i) let the dispute continue as at present; or
- (ii) escalate it quickly to the point of closing the railway down completely.

They and the other Departments involved judge other possibilities, e.g. generous redundancy terms, to be unrealistic or in some cases counter-productive.

10. There seems little doubt that ASLEF could continue the present pattern of strikes for a long period. The men appear to be solidly behind the Executive; and their financial losses, although not insignificant, are probably sustainable for some time yet. It is therefore possible that commuter morale could start to crumble first.

11. But a decision whether to escalate would depend on the one hand on likely power station endurance and on the other hand on how long ASLEF might hold out in the face of the complete shutdown of the railway, which had no apparent impact on power station endurance. An early shutdown of the railway followed after a short period by a carefully-planned management ballot might prove effective. But it is a high-risk strategy.

HANDLING

12. Ministers are to table papers at the meeting tomorrow. Once colleagues have had an opportunity to study them you will want the Secretary of State for Transport to report on the latest position on the railway dispute, and the Secretary of State for Energy to report on power station coal stocks.

13. I suggest that you consider power station coal stocks first. The main questions seem to be

- (i) What is current endurance?
- (ii) What is endurance likely to be in the event of a complete rail shutdown but with maximum road deliveries and maximum oilburn?
- (iii) Would the NUM co-operate in road deliveries by civilians? or by Servicemen?
- (iv) If not, what would maximum endurance then be in a complete rail shutdown?
- (v) How low can power station coal stocks be allowed to drop before supply cuts become inevitable?

If there is any doubt about the present and likely future position MISC 57 might be instructed to report quickly.

14. You might then turn to the options in respect of the ASLEF dispute. You will want Mr Ibbs to report on the CPRS' work. The Secretary of State for Transport and the Secretary of State for Employment will wish to comment. The main questions seem to be

- (i) Are the only realistic options escalation or continuing with the present dispute?
- (ii) How long might ASLEF maintain the dispute at its present level? What would the impact be on commuter morale? What further public pressure can be brought to bear on ASLEF (about eg the future of the rail network) without antagonising the NUR?
- (iii) Is escalation an option given likely power station endurance? If so, what is the best timing and approach? How long might a complete stoppage last?

You will want to invite the Secretary of State for Industry to report on the scope for the trades unions in the steel and car industries to pressure ASLEF to settle and on the implications for industry of a complete rail shutdown. If a complete shutdown seems desirable or unavoidable you will want the Home Secretary to arrange for the CCU to consider the implications quickly.

15. Finally, you will want to consider the options once BR's temporary borrowing limit is exhausted, although an immediate decision is not required on this. Ministers were concerned at Monday's meeting to find ways in which BR might borrow against its assets without Government guarantee or otherwise linking increased borrowing with faster asset sales. You will want the Secretary of State for Transport to report on the options.

CONCLUSIONS

16. You will want to record conclusions about

- (i) power station endurance, or about the need for further work by MISC 57 to clarify this;
- (ii) about whether attrition or escalation is the best strategy for the rail dispute;
- (iii) if escalation about the need for a quick review by CCU of the implications and for urgent discussions about tactics between the Secretary of State for Transport and Sir Peter Parker; and possibly
- (iv) the options for increasing the limit on temporary borrowing by BR.

17. You will also want to agree with the Secretaries of State for Energy and Transport what is to be said to the full Cabinet.

ROBERT ARMSTRONG

Cabinet Office

10 February 1982

11 FEB 1962



BRITISH RAIL'S TEMPORARY BORROWING

Note by the Secretary of State for Transport

I was invited to report on the options open in respect of British Rail's (BR's) temporary borrowing limit.

2. The limit is at present £110m, of which £10m is reserved for expenditure on withdrawal from the collected and delivered parcels business. The temporary borrowing requirement fluctuates from day to day, but at this time of the year is normally on an upward trend.* On Monday 8 February, the borrowing stood at £50m. Future requirements cannot be predicted exactly, but the Board's latest estimate is that, if ASLEF continue to strike on the present pattern of two weekdays and Sundays, they should be able to manage within the £100m ceiling until 5 March, on which date they will require an increase of £50m in the limit. If the strikes continue on this pattern after that, the Board will require a further £50m increase at about the end of March; and similar increases for each four weeks of strike action.

3. There can be no question of BR's borrowing on the strength of their assets alone with a specific denial of the implicit Government guarantee of the credit of nationalised industries, and a departure from the Government's policy on public sector borrowing. Banks and other lenders normally insist on a guarantee from Government, except in the case of some soft loans for resaleable assets such as ships. Given the Board's dire financial plight, lenders are bound to be more cautious.

* NOTE: The temporary borrowing requirement is related indirectly to the external financing limit (EFL) in that the difference between the temporary borrowing levels at the beginning and end of the year is one component of the external financing requirement: the others are net long-term borrowing (including leasing) and grants.

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4. The options are therefore to increase the limit on temporary borrowing or, if we decide that we cannot back further borrowing, to meet the Board's cash requirements by grants under the Appropriation Act: the timing would mean that there would probably need to be recourse to the Contingency Fund.

5. To attempt to appoint a receiver is not an option. Even if we succeeded in an application, a receiver could do nothing that the Government cannot do. We appoint the Board; have a large financial stake in the business; and are inextricably involved in its finances through public service obligation grant. And large problems would arise if the Board had to default on wages and other debts.

6. To meet the Board's cash requirements by grants instead of loans would greatly increase our responsibility for the Board's expenditure, and therefore draw us much more deeply into the handling of the present dispute, and the running of the business. We can, in my view, lend to the Board for the time being, though if the debt continues to mount, we could not continue to lend indefinitely because of problems of propriety.

7. I have considered whether we could attach conditions to an increase in the borrowing limit. There are two possibilities:

(a) to link an increase to conditions that BR should dispose of Sealink and the remaining hotel business.

It is our stated policy that these businesses should be disposed of as soon as practicable. A distress sale, with prices well below market values, would be criticised as imprudent treatment of public assets. NUR, who make up most of the hotel staff, and a significant proportion of Sealink staff, would certainly object, and might well embark on industrial action.

The Board is disposing of its surplus (and some operational) property as fast as it can. BR have achieved sales of about £100m

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over the last three years. I am pressing them for faster action.

(b) to link an increase in the borrowing limit with conditions imposing cuts on rail services.

Though this would more directly affect ASLEF members, it would also alienate NUR and TSSA. Cut-backs in freight services now seem almost inevitable, and it might be as well for BR to start spelling out specific reductions. But for us to impose cuts of this kind would pre-empt the review of railway finance that I have already announced which should start as soon as the industrial problem has been resolved. It would also lend colour to the ASLEF argument that we plan to use this dispute to impose cuts.

CONCLUSION

8. I conclude

(a) that an increase in the Board's temporary borrowing limit is the only practicable course. I should agree the arrangements with the Chief Secretary, and inform Parliament at the appropriate time;

(b) as well as pressing the Board to speed up disposals, to alleviate their cash problems, I should make it clear to them that the extent of their indebtedness must be a factor to which the ^{financial} review, and Ministers, will have to address in considering the nature of the railway that we can afford.

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ASLEF ACTION - COAL DELIVERIES TO POWER STATIONS

(Note by the Secretary of State for Energy)

ASLEF mid-week stoppages have curtailed coal delivery by rail from the NCB to power stations in England, Wales and Scotland by some $\frac{3}{4}$ mt a week. If ASLEF continued their present action and no steps were to be taken to offset the decline in power station coal stocks, the endurance of the electricity supply system would be reduced from over 5 weeks at present to about 3 weeks by the end of March.

2. Before that point is reached we would need to make arrangements to restrict electricity demand, introducing a lower level of restriction initially as a necessary preliminary to moving to more stringent control. - Effectively we would then be relying on nuclear and oil fired electricity and the limited coal we could move by road.

3. However, we agreed earlier this week to introduce measures to offset the erosion of coal stocks, notably greatly increased oil burn. Already, deliveries by road are building up from the normal level of 100,000 tonnes to 250,000 tonnes a week.

4. I have instructed the CEGB to increase their road and water borne supplies of coal to the maximum extent and will purchase additional electricity from Scotland where stocks and endurance are more favourable. As set out in the Annex, these measures should enable us to hold endurance at five weeks from now on or even improve on that if the weather remains mild and there is no hindrance to the arrangements, for example by the NUM.

5. I have been advised by the NCB that, in spite of isolated instances of NUM members refusing to load additional coal and the ASLEF appeal for support, it should be possible to continue road deliveries at their present level, or perhaps increase them, provided that this is done discreetly.

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6. An all out strike by ASLEF. There are three possible scenarios:-

- (a) NUR moving coal. I am advised that we cannot rely on the NUR to move coal by rail, if ASLEF move to an all out strike. NUR drivers (1600 against ASLEF's 23,000) are unlikely to be in the right place, familiar with the required routes or willing to substitute for striking ASLEF drivers (NUR members have been advised not to cross picket lines during the current actions; less than 10% of the NUR drivers have reported for duty). I do not believe it is realistic to think we could rely on the NUR to move the required coal. (This would be even more the case if British Rail introduce a lock out).
- (b) NUM co-operation. In relying on road and water for the delivery of coal, the attitude of the NUM will be important. On present advice, it seems likely that the NUM members would be prepared to continue to deliver some 250,000 to 300,000 tonnes a week, ie at about the present rate. There is a risk, however, that they might refuse to handle more than the normal level of road borne supplies ie some 100,000 tonnes. Physically, as much as 500,000 tonnes could be moved by road but it seems unlikely that NUM tolerance could be pushed that far.
- (c) The use of Servicemen. MISC 57 assessed the potential for servicemen moving coal from pithead to power stations at about $\frac{1}{2}$ - $\frac{3}{4}$ mt a week. MISC 57 also emphasised the possible adverse political and industrial relations repercussions. The NUM would almost certainly block road deliveries by servicemen in the event of an all out ASLEF stoppage and would probably extend their action to picketing service lorries or servicemen who

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attempted to load coal. The consequences for law and order would be serious.

Conclusion The measure already in hand should enable us to hold the position unless ASLEF's action escalates to an all out strike. In the event of an all out strike, I see no prospect of avoiding electricity restrictions (we would then be losing some 1mt a week from stock). We would need to impose some restrictions approximately four weeks after a stoppage and then to tighten these progressively; by, say, the sixth week we should need to cut demand by an unprecedented 40% or 50%.

NL

10 February 1982

EFFECT OF MEASURES TO HALT EROSION OF POWER STATION STOCKS (GB)

		(mtce)					
NO EXCEPTIONAL ACTION	ENDURANCE	ADD ϕ EXTRA OIL BURN	ADD \times EXTRA ROAD DELS	ADD EXTRA SCOTS ELECTRICITY	STOCKS	ENDURANCE	
ending 7 Feb	13 $\frac{1}{2}$						
14 Feb	12 $\frac{3}{4}$	over 5 weeks	?	$\frac{1}{4}$?		
21 Feb	12	5 weeks	0.4	0.3	0.1	12	5 weeks
28 Feb	11 $\frac{1}{4}$	under 5 weeks	0.4	0.3	0.1	12.1	5 weeks
7 March	10 $\frac{1}{2}$	over 4 weeks	0.5	0.3	0.1	12.2	over 5 weeks
14 Mar	9 $\frac{3}{4}$	under 4 weeks	0.5	0.3	0.1	12.2	over 5 weeks
21 Mar	9	3 $\frac{1}{2}$ weeks	0.5	0.3	0.1	12.4	over 5 weeks
28 Mar	8 $\frac{1}{4}$	3 weeks	0.5	0.3	0.1	12.5	over 5 weeks
4 April	7 $\frac{1}{2}$	under 2 weeks	0.5	0.3	0.1	12.6	over 5 weeks

ϕ Oil burn less than estimated earlier. Rail dependent oil deliveries have been adversely affected by Aslef; both oil depots and power stations have been affected.

\times It would be possible to add 0.2 mt a week if rail deliveries stop and NUM prepared to handle.



2

SECRET AND PERSONAL

Qa 05824

Handwritten initials in blue ink.

To: MR SCHOLAR

From: J R IBBS

10 February 1982

Coal and the Railways

1. The attached note has been prepared by the CPRS on how the ASLEF membership might be induced to agree to the productivity improvements sought by the Railways Board. This is in response to item v. of your letter dated 9 February to Julian West.
2. I am sending a copy of this minute, and of the attachment, to Sir Robert Armstrong.

Handwritten signature in blue ink.

Att

SECRET AND PERSONAL

SECRET

THE ASLEF DISPUTE

Ways of inducing the ASLEF membership to accept the
British Rail Productivity Proposals

1. It appears that the ASLEF Executive is determined to stand out against the introduction of flexible rostering. The members of the union, a large majority of whom are probably inherently moderate, are at present firmly behind the Executive. Progress is likely to depend on changing the attitude of these members so that they cease to be willing to follow the intransigent lead. The Annex contains a summary of what is known about current attitudes of ASLEF members, together with some facts about the union and other aspects of the dispute.

2. Basically there are five ways by which a change of attitudes might be brought about. In practice some combination of these is likely to be needed.

(i) Financial pressure through loss of earnings. This can be achieved slowly as at present or more rapidly by closing down the railways and so cutting off wages entirely.

(ii) Causing them to fear that damage to the railways will result in permanent loss of jobs.

(iii) Persuading them that the changes proposed are reasonable and that the terms are fair.

(iv) Offering a package that makes the introduction of flexible rostering and other productivity improvements financially more attractive to them.

(v) Getting the TUC and other railway unions to persuade them to accept the change.

Each of these options is discussed below against the background of the facts, and attitudes set out in the Annex.

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Financial Pressure

3. ASLEF members are already suffering financial loss as a result of their present industrial action, although the effect of this is mitigated by their supplementary earnings and those of their wives. However, it is reported that local ballots have been 80/20 against an all out strike. They are also believed not to be concerned about loss of jobs or threat to the industry.

Creating Fear about damage to the industry and loss of jobs

4. ASLEF members might be willing to accept the BR proposals if they were persuaded that their action was irreparably damaging the railway industry and hence prejudicing future job prospects. The BR Board have already started a programme of discussions with their unions to demonstrate the financial effects on the industry, but ASLEF have not attended and there must be doubt if their members are getting the message. It is likely that few ASLEF members believe there is any threat to job prospects. It may take a dramatic move, such as the removal of a major business contract, e.g. newspapers, to break their complacency.

Persuasion that changes proposed are fair

5. No effective steps appear to have been taken to explain the flexible rostering proposals and to establish that the changes would be fair. Communications between the BR management and the ASLEF membership (as distinct from the Executive) have been extremely poor. There is reason to believe that many drivers know of the proposals only through union channels. BR have belatedly started to try and explain their case and believe they are beginning to make some impact. However, because BR start from a poor position, further time and effort is needed to get the message properly across, together with that of 4. above.

An Attractive Package that absorbs flexible rostering

6. It may well be that a 3 per cent pay increase appears to ASLEF members to be ⁱⁿadequate compensation for the changes in working patterns, and possibly in overtime earnings, that flexible rostering would bring about. Some wider productivity deal which included flexible rostering and offered a better financial benefit might be saleable. This would have the advantage of moving away from the specific issue on which

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stalemate has been reached. It would however be necessary to avoid leaving the NUR and TSSA in a position of relative disadvantage, and some new deal would probably have to be struck with them.

7. A further consideration is the level of compensation for any job loss that results from flexible rostering and other productivity changes. This could be mitigated by improvement of the BR redundancy arrangements. However, the BR scheme already pays well above statutory minima. The Department of Transport feel that the problem is not one of persuading men to leave, but centres on reducing the number of jobs, by negotiating out second manning and reducing the level of train services.

Persuasion by the TUC and other Rail Unions

8. The other rail unions have an obvious interest in persuading ASLEF to accept flexible rostering and to call off their industrial action. However, relations between the unions are not good. In some circumstances the TUC might exert influence on ASLEF. At present they support the ASLEF claim for 3 per cent but have been willing to press them to go to binding arbitration. But there must be growing concern on the impact of the dispute on the image of the Trades Unions and on the future of the railways. It is possible that the TUC could be persuaded to publicly back moves to end the dispute and exert moral pressure to induce ASLEF members to accept BR's offer, but on its own this is unlikely to be decisive.

The Way Ahead

9. The CPRS believes that no quick solution is likely. However, there is a need to minimise delay because of the risk of increasing unrest among commuters and the effect on coal stocks next Autumn.

10. A basic difficulty is that the members of ASLEF start with a sense of genuine grievance; they believe they have been unfairly denied the 3 per cent wage increase. The interdependence of the wage and productivity agreements last August was not made sufficiently clear, so that BR does not start now in a good position. The support of the NUR and TSSA is BR's main strength on this.

11. The difficulty is compounded by the fact that so far the dispute has been against a background of assumed non-bankruptability so prevalent in the public sector. ASLEF members do not believe that their

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action will seriously damage the railways. Part of the reason for this is that only recently has BR started to explain intensively the business implications of the dispute. Nor up to now have they effectively put over to the members what flexible rostering entails and that its implications are reasonable and fair.

12. To end a dispute of this kind some form of face-saving formula is usually needed as one of the ingredients for achieving a settlement - for example, the parties may agree to move on to new ground at this point. One possibility would be for the present problem of flexible rostering to be absorbed in some wider productivity deal. It would be important that this did not prejudice the agreement already reached with the other unions. As yet BR seem to have developed no ideas of this kind.

13. The possibility of obtaining a settlement through the TUC and other unions putting pressure on ASLEF does not look likely. One suggestion is that a situation might be created at which members of other unions, principally the NUR, took over the jobs of present ASLEF members as part of an overall 'new deal' for the railways so that the ASLEF influence was eliminated. It is extremely hard to conceive that the other rail unions and the TUC would countenance this.

Specific Steps

14. If the attitudes of ASLEF members are to be changed the following steps are necessary in addition to relying on the continuing effect of the loss of earnings from the current industrial action.

(a) BR need to mount an effective campaign to explain to ASLEF members:

(i) what flexible rostering entails for them and that its implications are reasonable and fair;

(ii) the business implications of the dispute, i.e. curtailment of the railway and reduction in jobs.

(b) BR need to explore what face-saving arrangement such as a wider productivity package can be devised for use at a crucial moment.

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15. The combined effect of better understanding and reduced earnings should increase the chance of a change in attitude. Depending on events it may be appropriate to increase the pressure by closing down the railway. This would cut off wages and bring home dramatically the message on business damage and jobs. The timing would obviously have to be carefully judged against the available power station endurance as well as the trend of ASLEF members' attitudes. The tactics of close-down, including such aspects as Government refusing further financial support, would need careful consideration.

16. To date, the Government has remained at arms' length from this dispute and it is desirable that it should continue to do so. It is impossible to handle industrial relations issues from afar and it is important to limit the damage if the outcome of the dispute were unsuccessful. Thus, decisions on the tactics of handling the dispute should be left as far as possible with the BR Board. However, BR's attention needs to be drawn to the items in paragraph 14, and the Government must be closely involved in key decisions such as close down.

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THE ASLEF DISPUTE: THE FACTS

1. This Annex assesses the attitudes and strength of feeling amongst ASLEF members and their officials and executive, and examines other facts relevant to the dispute, the Unions involved, and the BR proposals.

The Union

2. ASLEF is a small Union with a declared membership of 27,000 at end 1980. The Union represents the vast majority of BR's drivers, their assistants and trainees, about 24,000 in all, as well as about half of London Transport underground train drivers. Of BR drivers, only some 1,600 are members of the National Union of Railwaymen (NUR) but about 280 of these are thought to have dual membership with ASLEF.

3. The Union is tight-knit with a nine man executive, of whom only seven are active (one vacancy and one sick), representing nine district councils and two hundred and fifty branches. The General Secretary, Ray Buckton, is not a voting member of the executive. Executive committee members are elected for a three year term of office by a block voting system at district council level. The full time officials are also elected. The Executive Committee is left wing orientated, has the power to order industrial action including a strike, and any withdrawal of labour must have their consent. An annual assembly or 'special assembly' of delegates can also control industrial action.

ASLEF Membership in BR

4. ASLEF represents about 90 per cent of drivers. The drivers on BR have an elderly demographic profile since over 32 per cent are aged 55 or over and over 50 per cent are aged 50 or over.

Earnings and Financial Effect of Action

5. The drivers earn relatively good wages, with mileage bonuses and unsocial hours payments, although trainees and assistants, who represent about 25 per cent of ASLEF members in BR, earn less.

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6. Broadly speaking, drivers are losing about 40 per cent of normal pay at the current level of industrial action. Typical figures are:

	<u>Gross</u>	<u>Take Home*</u>
Normal average excluding Sunday	£134	£94
Normal average including Sunday (35% of drivers per week)	£172	£119
Estimated average for week with two strike days and no Sunday work	£84	£62

This represents an average weekly net loss of £40.00.

About 70 per cent of drivers are weekly paid, but 30 per cent are four-weekly paid. For this latter group, the financial effect of the dispute was not felt until 5 February when, it is thought, they suffered a pay loss of about £160.

7. Although information is scant, many ASLEF members are thought to have some supplementary income, and many probably have working wives.

ASLEF Members' Attitudes

8. Very little is known about the attitudes of the individual members of ASLEF. Because of the nature of the work - driving trains away from depots - BR management has little daily contact with the membership. The drivers merely clock on and off at start and finish of the shift, and it appears that they enjoy considerable autonomy, e.g. to swop shifts etc. without management interference. It is only recently, after the breakdown of negotiations, that BR ^{have} made special attempts to communicate with the drivers in trying to put over the message about flexible rostering. Additionally, unlike the miners and steelworkers, ASLEF members live amongst the general community which (London commuters apart) is not greatly affected by the strike and cannot be relied on to put pressure on them. Their distribution right across the country and their working pattern makes it difficult to sound out their views through opinion polls, etc.

9. From the little that is known about ASLEF members' attitudes, it does appear that they are solidly behind their leadership and wholly

* 'Take Home' pay is after tax, national insurance and pensions calculations. Many staff have other voluntary reductions.

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persuaded that BR has reneged on the agreement to pay the disputed 3 per cent increase. The best assessment by BR management is that their primary worry is about their current financial loss, and the threat of losing advantageous working practices such as shift switching. The possibility of jobs losses does not appear to concern them, nor does the financial damage to railways; nor do they mind ASLEF's isolation. Their attitude is one of considerable loyalty to their leadership.

10. However, the ASLEF membership are at present conducting the dispute on a fairly low key basis. There has been little random disruption and little evidence of awkward tactics or non-co-operation with management on working days, e.g. leaving trains in the wrong place. BR report that resolutions received by the ASLEF executive from branches show votes of 80/20 against an all out strike.

ASLEF Leadership and Officials' Attitudes

11. The left wing ASLEF leadership are solidly against the BR stance and voted by only 4 to 3 against an all out strike. There is no evidence of dissension at lower levels among officials of the Union. The districts are believed to vary in their attitudes, the Midlands being felt to be more moderate than say Scotland. The only open opposition to the strike is from a few well known maverick members.

Trades Union Relationships

12. BR operate a closed shop for all staff other than management and senior officers. This is strictly enforced. Under TUC auspices, a Railway Federation of Unions was formed last year. This has two parties, NUR and ASLEF (TSSA decided against joining). One of the most important features of this co-operation is an agreement designed to end poaching and competition for members in BR. The NUR is no longer to recruit 'staff within the existing line of promotion to train driver' and is to encourage NUR members entering this line of promotion to transfer to ASLEF. Thus, effectively the existence of the NUR driver may die out, with the agreement of the NUR.

13. Although the Railway Federation of Unions was formed last year, relations between the NUR and ASLEF are not, and never have been, good.

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ASLEF has a close association with the TGWU and appears in the current dispute to have public backing from the TUC.

14. The relationship of unions affiliated to the TUC on organisation and membership issues is governed by recommendations adopted at the Bridlington Congress in 1939 ("the Bridlington Agreement"). These provide that there should be agreements between unions on 'spheres of influence' and transfers of members; that no member of an affiliated union should be accepted into membership of another without inquiry and if the first union objects; and that no union 'shall commence organising.... in respect of any grade of workers.... in which another union has the majority of workers employed and negotiates wages and conditions, unless by arrangement with that union'. The TUC's rules provide for a mandatory inquiry into any dispute between unions on such issues and for the suspension and finally expulsion of any union which does not observe the TUC's findings. [NASD was the last union to be expelled, although recently, by Congress resolution, the TGWU was momentarily suspended on a complaint by NALHM!] There can be little doubt that the TUC would rule against the NUR if it recruited ASLEF members or sought to extend its organisation of train drivers employed by BR. In any case, it is highly improbable that Sid Weighell could be persuaded to do so and, even if he were, that the NUR Executive which has become fairly left wing would agree to be party to the destruction of another union.

Redundancy arrangements

15. BR already has a redundancy scheme which, whilst not as generous as the coal and steel schemes, pays substantially above the statutory minima. In the first 36 weeks of 1981, some 3,335 BR employees took redundancy at a cost of £18m. Maximum payment under the scheme is £20,000 and the average payment is £6,000. However, the basic problem is not one of persuading BR drivers to leave, but is one of actually reducing the number of jobs. This reduction depends on the negotiations to change rostering rules and train manning agreements, etc., as well as on changes that will reduce the number of trains being run. In any event, given the age profile of the ASLEF membership, natural wastage will reduce driver numbers fairly rapidly over the next few years unless there is a significant increase in the number of new recruits.

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The impact on ASLEF members of the BR proposals for flexible rostering

16. BR has estimated that all the changes in working practices at stake in the present negotiation will by 1985 cut out 4,500 jobs (all staff not just drivers), and 7,000 ultimately. BR forecast that, from all the changes they seek - working practices and others - the number of footplate jobs will reduce by 4,000 by 1985. These figures imply that the expected loss of jobs falls much more heavily on ASLEF than the other unions. BR has not given a separate estimate of job reduction through flexible rostering on its own, though the Department of Transport estimate that the numbers lie between 1,000 and 1,500. BR claim that flexible rostering would allow the change to a 39 hour week without extra cost and they have told the union this. It has not been possible to obtain an estimate of any effect on earnings likely from flexible rostering.

17. The changes in working practices envisaged at the time of the August 1981 understanding at ACAS were:

← | flexible rostering | →
manning of freight trains
manning of suburban passenger trains
manning of locomotives
'train man' concept
open stations.

SECRET

Top copy a
Coal File

MR. SCHOLAR

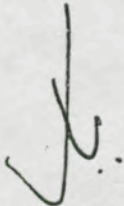
c. Mr. Hoskyns

Emergency Oil Burn: Public Expenditure Aspects

In his note which arrived yesterday evening, the Chancellor says that we must resist the MISC 57 proposal for accelerated oil burn after the end of the ASLEF dispute. (MISC 57 did not actually recommend that, merely drew attention to it as an option.)

I am still quite sure that it would be wrong to reach a judgement either way on how much oil needs to be burned to provide adequate endurance by next November, until we know the position we are in after the ASLEF dispute. It may well be, as the Chancellor indicates, that it will seem like a bad buy, with only a few weeks endurance being purchased at huge cost. But if the ASLEF dispute lasts even at its present level of disruption much beyond the spring, we shall be losing part of the period in which we normally build up stocks for the autumn at a substantial rate; and the projected level in November will start to look inadequate even if there is no industrial action in the mining industry. There are too many uncertainties about the level of power station stocks at the end of the ASLEF dispute for it to be safe to decide now not to go for accelerated oil burn at that time. And there is of course a whole spectrum of intermediate levels of additional oil burn.

The right course is surely to wait until ASLEF go back to work, see what the level of coal stocks then is, decide what level to aim for for November, and take decisions on oil burn - and imports, and gas burn, and road delivery - accordingly.



J.M.M. VEREKER

10 February 1982

SECRET

PART 2 ends:-

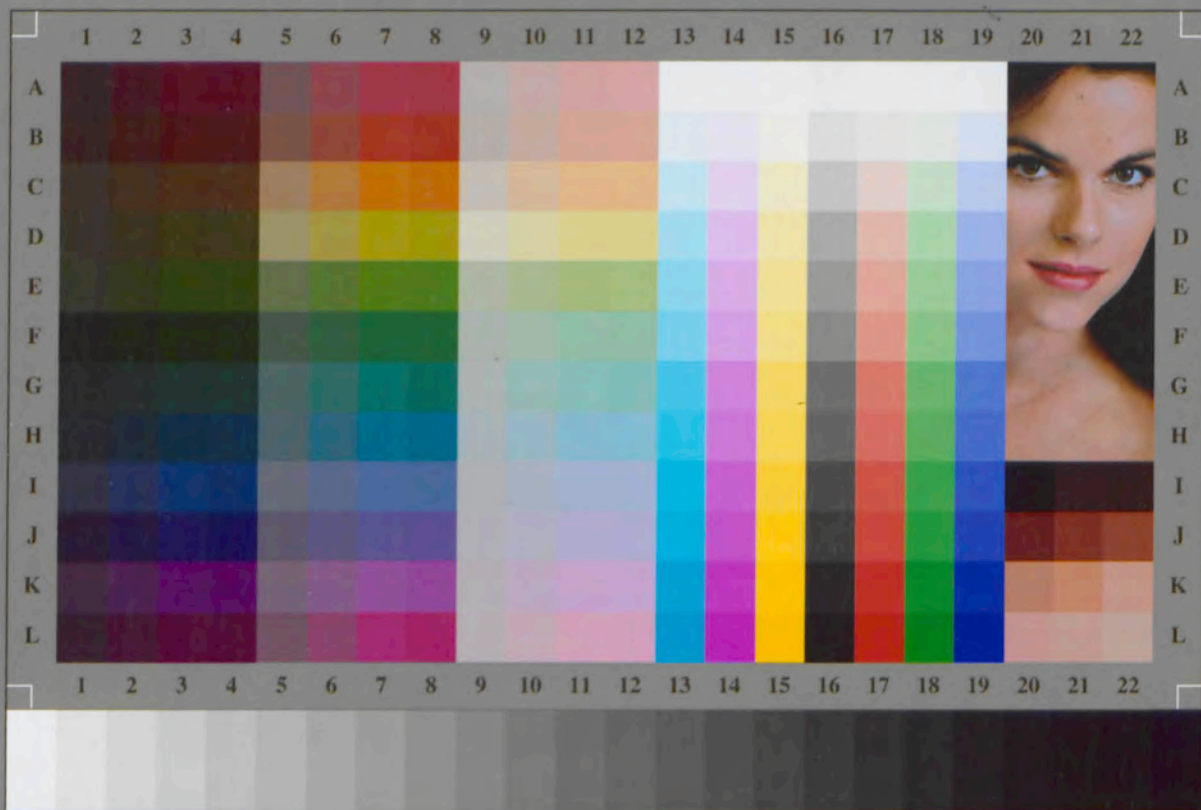
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PART 3 begins:-

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