

PREM 19/933



British Rail Fares

Industrial Action by NUR & ASLEF

Possible Line Closures

British Rail Finances

Policy and Pay Negotiations

PART 4

TRANSPORT

Part 1: September 1979

Part 4: May 1982

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>11.5.82</del>							
<del>13.5.82</del>							
20.5.82							
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<del>18.6.82</del>							
<del>22.6.82</del>							
<del>23.6.82</del>							
25.6.82							
ends							

PREM 19/9/83

933



PART 4 ends:-

25. 6. 82

PART 5 begins:-

28. 6. 82



TO BE RETAINED AS TOP ENCLOSURE

### Cabinet / Cabinet Committee Documents

Reference	Date
CCU (82) 7th Mtg	23.6.82
CC (82) 35th Concl Mtg 5	24.6.82
Misc 80 (82) 1st Mtg	25.6.82

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. Foxman

Date 31 Oct 2012

**PREM Records Team**





✓ JV  
WR  
MCS

Prime Minister (2)  
Some good material here  
MCS 25/6

DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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

25 June 1982

Dear Michael,

BR AND LT DISPUTES

ACAS are in touch with all the parties involved in the BR dispute and have been approached by London Transport on their dispute. There are no indications as to whether these efforts will bear fruit. The assumption must be that both strikes will continue.

I attach:

- (a) a briefing note on BR
- (b) a briefing note on LT
- (c) a copy of the Secretary of State's Statement to the House of Commons this morning

I am copying this to the Private Secretaries of all members of the Cabinet and to the Chief Whip, John Sparrow and Sir Robert Armstrong.

Yours,

Anthony Mayer

R A J MAYER  
Private Secretary



BR DISPUTE

Government's Position

- We stand right behind the Board in their efforts to improve productivity on the railways.
- There is no future for a modern railway unless working practices agreed in 1919 are up-dated.
- The rail unions were paid a 3% settlement in the 1981 pay settlement on the basis that they would deliver on six specific productivity agreements.
- They have only delivered on 1½.
- It is no use the NUR claiming that they have delivered everything asked of them. Even if they had - which they have not - the Board's concern is with the railway system and the workforce as a whole. ASLEF's intransigence is the root cause of the problem.
- No-one owes railworkers a living. All sectors of British industry have re-organised themselves, and slimmed down to cope with the irresistible demands for greater efficiency. BR must do the same.
- BR's finances are in a parlous state. Even after Government grants running at record levels, they stand to lose £165m this year. They will be hard pressed even to afford their present 5% offer frozen to September.
- A national rail strike will reduce BR's finances to a shambles. The railways can never be the same again. As well as inconveniencing millions of holiday-makers and workers, a strike will directly prejudice the long term interests of 200,000 railwaymen. The future is there. It is about to be ruined.
- It is deplorable that the leadership of the rail unions cannot see this stark reality.



## ALLEGATIONS AND FACTS

1. NUR have delivered six out of seven of the productivity points

### Facts

1. The NUR has only so far agreed to:
  - a. flexible rostering for guards, in return for a 39 hour week, an extra rest day, and an extra 50p per shift (£2.50 a week). NUR members have thus benefitted from this;
  - b. experiments with open stations. Again, they will expect extra payments for guards checking tickets on trains, and in some cases extra staff will be needed.
2. On the other issues:
  - a. it is prepared to discuss single manning of traction units - effects very few of its members;
  - b. favours the 'trainman concept', which will benefit its members by giving guards access to promotion as drivers.
3. On the main issues where NUR is asked to accept real changes, it has kept talking but made no move towards agreement. These are:-
  - a. dispensing with guards on the Bedford/St Pancras line, specially built at a cost of £150m for driver only operation;
  - b. removing over 2,000 guards from freight trains fitted with automatic brakes.

### Summary

So NUR has only moved where there is direct benefit to their members, or where their members are not significantly involved.

2. Government not prepared to provide a sound financial basis from which BR can operate

### Facts

- a. PSO grant was increased in 1981 by £110m, and now/stands only marginally lower than that exceptionally high figure, at over £2m each day. at £804m



b. BR's investment ceiling of £428m this year has not been changed in real terms from the level set by the last Government. BR must generate funds to allow investment up to that ceiling - that means reducing costs.

c. The Board's External Financing Limit (EFL) stands at nearly £900m. The levels set since this Government took office have been substantially higher in real terms than in any of the previous four years.

### 3. Rail unions record in cutting jobs is good

#### Facts

In the period since 1979 BR has shed just over 15,000 jobs - about 7½% of railway and workshop staff. Obviously different industries adjust in different ways, but when one considers that British Airways, for example, have shed 27% in the same period, and industries like Leyland and British Steel much larger numbers, this figure is not overwhelming.

### 4. Government irresponsible not to intervene in dispute

#### Facts

The Government has no locus in the negotiations between the Board and its workforce on questions of pay and productivity, and has no intention of intervening. The issues are clear. On pay, the Board cannot offer what it cannot afford. And it can afford nothing without delivery of the productivity improvements for which it has already paid. These productivity measures have been thoroughly discussed and analysed both by ACAS and Lord McCarthy, who support their introduction.

### 5. Specific investment projects being unfairly held up by Government

#### Facts

This is simply a perversion of the facts. 10 major projects have been recently completed, are under construction or have been approved and another eight are in the pipeline. But unless the unions deliver on productivity the Government is not prepared to hand over taxpayers' money. The two go hand in hand.

#### Investment in BR

##### A. Projects recently completed/nearing completion



<u>Project</u>	<u>Cost</u>	<u>Comment</u>
1. 95 High Speed Diesel Trains	£200m	First entered service 1976, last 2 sets to be delivered in July 1982.
2. St Pancras/Bedford electrification track and signalling works	£150m (1981 prices)	Work started in 1976 and is almost complete. Only disagreement over manning holding up new electric service between Moorgate and Bedford.
3. 4 multi-purpose ferries for Sealink	£60 (1980 prices)	
4. 5 year rolling programmes for freight locos and wagons	About £50m per year at current prices.	Authorised up to 25 locos and 1,550 wagons per year over period 1978-82
<u>B. Other projects under construction or approved</u>		
5. West of England resignalling		Resignalling and track rationalisation between Westbury (Wilts) and Totnes (Devon). Cost £28m (1979 prices). Approved 1981 and due for completion in 1987.
6. Brighton line resignalling		Resignalling 282 track miles on the London-Brighton line and branches; cost £45m (1978 prices). Approved March 1979. Bulk of project in operation 1984.
7. EMU rolling programme		5 year programme approved March 1979. Currently building about 200 vehicles per year. Cost £40m per annum.
8. 210 sleeping cars		Approved April 1979. First deliveries January 1982. Cost £25.5m (1982 prices). Services progressively converted to new sleepers as delivery proceeds.

*B.R. investment*



9. Isle of Wight car-ferry investment

Submission for £15½m approved December 1979. Two new ferries enter service next year.

10. Anglia electrification

Colchester to Harwich, Ipswich and Norwich. Approved December 1981 at a cost of nearly £30m. Work on the electrification cannot start until 1984 because essential track rationalisation and re-signalling work must be done first. This is under way.

C. 10 Year Programme of Electrification

11. Electrification of some 3,800 single track miles of main line

Awaiting Board's proposed programme.

6. Rail unions have been penalised in recent pay settlements

Facts

This is blatantly untrue. The last two pay settlements have been 20% (1980) and 11% (1981) - a cumulative total of 33.2%. Over the same period pay throughout the public trading sector rose by only 29.2%. The rail unions are trying to stand truth on its head.



PRIME MINISTER

BR Statement

Mr. Howell delivered his statement (attached) to a fairly empty House. There were only seven Members on the Opposition benches. He was fairly forceful in his delivery and seemed in command of the situation. The Opposition seemed slightly nervous about supporting the unions in a strike which is clearly unpopular.

Albert Booth, leading for the Opposition, said that Mr. Howell's statement was complacent and disappointing. He had expected a statement on the causes of the dispute and what the Government was going to do about it, and not a description of the measures being taken to ease the effects of the strike. He said that the discussions at ACAS had shown that the gap between the unions and management was not wide, and that the only obstacle to a settlement was the hard line being dictated to the BRB by Ministers. He urged the Government to intervene. Only Alf Dubbs and Laurie Pavitt joined Albert Booth in criticising Mr. Howell for being complacent and for deliberately confronting the railwaymen. Neville Sandelson said that the SDP deplored the strikes, were worried at the role of the GLC, and hoped that commonsense would prevail. In this he was joined by Bill Pitt.

From the Government back benches, Ivor Stanbrook and Tim Smith both said that many commuters would suffer, but that they would be happy to do so if it was the only way to ensure a better future for BR and LT. Roger Moate pointed out that it was 50 years since British Rail and London Transport had been on strike at the same time.

David Howell dealt quite successfully with Albert Booth. He said that the causes of the dispute were clear. They were the Management's correct decision to seek productivity improvements

/ for which



for which pay increases had already been given, and the opportunism of the unions in London Transport. He hoped ACAS would bring home to the workers the dangers they faced. He paid tribute to the workforce of British Rail, and laid the blame firmly on the Executive of the NUR. He said that the Government had no intention of intervening in the dispute.

WM

25 June 1982



DRAFT STATEMENT ON RAIL DISPUTES

1. With permission, Mr Speaker, I should like to make a statement about industrial action on the railways and the London underground.

2. As the House knows, the National Union of Railwaymen called a full strike by its members on the London underground as from midnight last night and have called a full strike by its members on British Rail from midnight on Sunday, 27 June.

3. Mr Speaker, neither of these strikes are necessary, nor will they do anything but damage ~~deeply~~ both those who pursue them and the travelling public. In the case of British Rail, irreparable damage will be inflicted on the railways. Yet all that is being asked is that productivity undertakings for which pay increases have already been <sup>given</sup> paid for last year, should be delivered.

4. In the case of London Transport, it is patently clear that the strike decision, taken by NUR, is a cynical and opportunistic move. There is no redundancy threat, the service cuts are minimal and are anyway necessary for the long term. London Transport management have clearly bent over backwards to negotiate reasonably. However the union leaders <sup>give</sup> ~~now propose~~ switching the strike issue to pay. The Union Executive has done this without giving the normal notice and has brushed aside the normal negotiating procedures in its haste to find any excuse for joining in the damage and disruption.

5. It is therefore nothing short of shameful that the political leaders of the Greater London Council should be giving explicit support to this pointless attack on London Transport users.



6. In view of the serious and immediate impact of both these strikes on London commuters, a series of measures <sup>is</sup> ~~are~~ being taken by the Metropolitan Police from first thing on Monday morning, and I think it will be helpful to set these out immediately so that all the travelling public can make their preparations in good time.

7. The Metropolitan Police will take exceptional measures to keep traffic flowing on all main routes, they will provide emergency car parking on a large scale, and they intend to suspend the enforcement of parking restrictions, and parking meters, in all side streets. The Metropolitan Police will be giving more detailed guidance to the travelling public over the next couple of days.

8. We shall be asking all radio stations to perform their invaluable service in providing up to date information to help all those who need to travel.

9. If traffic is to be kept moving, and hardship kept to a minimum, then the public must avoid needless journeys. They should make early arrangements for sharing their cars, and should do all they can to stagger their journeys.

10. Employers can help by encouraging their staff to organise staggered hours and car sharing schemes, and by arranging for deliveries to be made outside rush hours.



11. The travelling public Mr Speaker, are now under assault for no good reason whatsoever and the railways now face a disastrous future. Tens of thousands of workers are being led down dark and dangerous paths. They would be wise now to do all within their power to see that these \_\_\_\_\_ strikes are called off.



1. MR SCHOLAR  
2. PRIME MINISTER

(2)

cc Lord President

RAIL DISPUTE

I held a meeting today of the Departments immediately concerned - Transport, Environment, Employment, Home Office, plus Mr Vereker - to co-ordinate publicity over the weekend, on the lines required by CCU and Cabinet.

I have also instituted daily meetings from Monday to ensure that the Government information machine is properly co-ordinated.

The outcome was that we:

1. felt there was a need to raise the Government profile a little beyond that planned, in view of Government policy for "a massive publicity campaign";
2. urged the Secretary of State for Transport and his Ministerial team to take every opportunity this weekend to get over the Government's point of view and the action taken, or the many measures encouraged, by the Government to help the travelling public;
3. asked the Home Office to ensure that the Metropolitan Police makes a major effort to get over its traffic arrangements;
4. agreed on the need to demonstrate the Government's firmness of purpose and its determination that management should run its own affairs.

In more detail we felt it important to bring out the apparent political nature of the Tube strike; the importance of improving railway efficiency; and to rebut the Opposition charge that with more investment all would be sweetness and light.

All these operations will, of course, be conducted against the background of the industry's prime responsibility for running an efficient railway and managing its industrial relations.

B. INGHAM  
25 June 1982

Prime Minister  
I have arranged with the Chancellor that Bernard should regularly attend his group to ensure maximum co-ordination.  
plus 25/6



## Airey Houses

*Motion made, and Question proposed, That this House do now adjourn.—[Mr. Goodlad.]*

10.56 am

**Mr. John Heddle** (Lichfield and Tamworth): I am grateful to the House and to you, Mr. Speaker, for giving me this opportunity to raise the subject of the sale of Airey houses under the right-to-buy provisions of the Housing Act, and the case of my constituents, Mr. and Mrs. Abdella, of Lichfield.

When I wrote to your office on 16 June, Mr. Speaker, I asked whether I might have your permission to raise this matter. I said that I should like to raise the subject of the sale of Airey Houses under the right-to-buy provisions and the case of my constituents, Mr. and Mrs. Abdella. The important word "and" is omitted from the Order Paper. I mention that because I wish to raise, for the consideration of the Minister, the case of my constituents, Mr. and Mrs. Abdella, and the whole principle of the sale of Airey houses under the right-to-buy provisions.

I am grateful to my hon. Friend the Minister for his presence on the Front Bench. He is deputising for his hon. Friend the Member for Ealing, Acton (Sir G. Young). I am particularly grateful to him because he has returned from a Council of Ministers meeting in Luxembourg to be present today.

His presence is a particular pleasure to me because the matter that I wish to raise is of concern not only to 250 tenants and former tenants of properties owned by the Lichfield district and Tamworth borough councils, but, by the nature of the problem, to all right hon. and hon. Members. Earlier this morning, my hon. Friend the Member for Sowerby (Mr. Thompson) told me that the problem of the sale of Airey houses under the right-to-buy provisions was causing concern in his constituency. I note that my hon. Friend the Member for Watford (Mr. Garel-Jones) who, because of Government duties is mute in such matters, is indicating his opinion in a north-south direction.

I regret the absence of my hon. Friend the Member for Folkestone and Hythe (Sir A. Costain) because he has a deep and comprehensive knowledge of the construction industry in general. I believe that a firm with which his name was associated was given the responsibility, shortly after the war, by the then Minister of Housing to erect Airey houses in most constituencies in England and Wales, but not in Scotland.

My hon. Friend the Member for Folkestone and Hythe has given me a document that describes the Airey system of construction. The houses were designed by—

*It being Eleven o'clock, MR. SPEAKER interrupted the proceedings, pursuant to Standing Order No. 5 (Friday Sittings).*

## Rail Disputes

11 am

**The Secretary of State for Transport (Mr. David Howell):** With permission, Mr. Speaker, I should like to make a statement about strikes on the railways. As the House knows, the National Union of Railwaymen called a full strike by its members on the London underground

as from midnight last night and has called a full strike by its members on British Rail from midnight on Sunday, 27 June.

Neither of those strikes is necessary, nor will they do anything but damage those who pursue them, hurt the travelling public grievously and endanger many people's livelihoods. In the case of British Rail, irreparable damage will be inflicted on the railways. Yet all that is being asked is that productivity undertakings for which pay increases have already been given for last year, should be delivered.

In the case of London Transport, it is patently clear that the strike decision taken by NUR is a cynical and opportunistic move. There is no redundancy threat, the service cuts are minimal and are anyway necessary for the long term. London Transport management has clearly bent over backwards to negotiate reasonably. However, the union leaders are now switching the strike issue to pay. The union executive is doing this without giving the normal notice and has brushed aside the normal negotiating procedures in its haste to find any excuse for joining in the damage and disruption. It is, therefore, nothing short of shameful that the political leaders of the Greater London Council have given explicit support to this pointless attack on London Transport users.

In view of the serious and immediate impact of both these strikes on London commuters, a series of measures are being taken by the Metropolitan Police from first thing on Monday morning, and it would perhaps be helpful to set these out immediately so that all the travelling public can make their preparations in good time.

The Metropolitan Police will take exceptional measures to keep traffic flowing on all main routes; emergency car parking will be provided on a large scale, and the police will be suspending the enforcement of parking restrictions and parking meters, in all side streets. The police will be giving more detailed guidance to the travelling public over the next couple of days, as will the AA and RAC. The police in other cities will also take all necessary steps to cope with the effects on traffic of the British Rail strike.

We shall be asking all radio stations to perform their invaluable service in providing up-to-date information to help all those who need to travel.

If traffic is to be kept moving, and hardship kept to a minimum, the public must avoid needless journeys. They should make early arrangements for sharing their cars, and should do all that they can to stagger their journeys.

Employers can help by encouraging their staff to organise staggered hours and car-sharing schemes, and by arranging for deliveries to be made outside rush hours.

The travelling public are now under assault for no good reason and the railways now face a disastrous future. Tens of thousands of workers are being led down dark and dangerous paths. They would be wise now to do all within their power to see that the strikes are called off.

**Mr. Albert Booth** (Barrow-in-Furness): Does the Secretary of State realise that the House was expecting from him a statement about causes and the Government's reactions to those, rather than a statement about the consequences of the dispute? His statement will be seen as both complacent and disappointing. A majority of hon. Members realise that the travelling public are anxious that the Government should take steps to avert the strike, instead of merely trying to bring some amelioration from the tremendous damage that the strike will inevitably do to the travelling public.



[Mr. Albert Booth]

Will the Secretary of State confirm that discussions at ACAS between BR management and unions have revealed that the gap between the two sides is not so wide as to prevent a major breakthrough on the outstanding productivity issues, if only the Government are prepared to demonstrate to the board a willingness to support it in bringing forward the 5 per cent. payment towards its due date?

Will the right hon. Gentleman tell us whether the board's inflexible hard line is being dictated by Ministers, who appear to relish the idea of a long and bitter dispute with British Rail? Will he acknowledge that the overwhelming majority of railway workers have demonstrated a willingness to co-operate in the development of a good railway service and that they will back their executive committee to the hilt in the dispute because they believe that that is the only way of conducting a claim in the interests of maintaining a proper public service?

Will the Secretary of State reconsider his decision not to intervene in the dispute? Will he take up the proper role of the Government as the representatives of the travelling public and the railways' bankers and construct some genuine tripartite negotiations to avoid a strike, the consequences of which will not only be immediately damaging to the travelling public, but may be permanently damaging to the future of our railway service?

**Mr. Howell:** I take it from the right hon. Gentleman's silence on the merits of the strike that he is not prepared to condemn the appalling damage that is to be inflicted on the travelling public, the railway industry and its future.

The right hon. Gentleman asks about causes, but he and the country know what they are. In the case of British Rail, it is the management's rightful determination, which should be supported by all who want to see an efficient railway, to seek the productivity agreements and undertakings for which pay increases have already been accorded and which are now due. In the case of London Transport, the cause appears to be opportunism to maximise the chances of trying to strangle London. The right hon. Gentleman knows those causes.

The right hon. Gentleman asked about intervention by ACAS. That is an independent body and, like everyone else, I hope that it will be able to bring home to the parties, especially the unions, the appalling dangers of the path on which they are set.

The right hon. Gentleman referred to inflexibility by British Rail, but in the past few days BR has offered new arrangements by which some of the productivity difficulties could be overcome. Those arrangements were turned down by the union.

The Government and, I think, the board and most workers in the railway industry want a good and efficient service. We are committed to that good and efficient service. Ten major investment projects are being carried through or approved and another eight are in the pipeline. That makes nonsense of the claim that there is no commitment to a good railway system. The question is whether the unions will allow us to achieve it.

The Government are not prepared to intervene. If it is a question of intervention, it should be intervention by those, particularly in the industry, who are in a position to stop the union executive from leading its members over

a cliff edge. That is the sort of intervention that the right hon. Gentleman ought to have been calling for, and I am sorry that he did not feel it opportune to do so today.

**Mr. Terence Higgins** (Worthing): Are not the strikes against the interest of not only railwaymen, but railway users? As the NUR is apparently throwing agreed procedures overboard, does my right hon. Friend recall a phrase once coined by the right hon. Member for Huyton (Sir H. Wilson) who referred to a "tightly knit group of politically motivated men"—[*Official Report*, 20 June, 1966; Vol. 730, c. 42.]

and should not the members of the NUR and ASLEF wake up to the dangers that they are facing in relation to jobs as a result of the actions of their leaders?

Would it not be rather a good idea if Mr. Buckton and Mr. Weighell went along this afternoon to Victoria and Waterloo stations and explained their position to my constituents and gave my constituents an opportunity to say what they think about the strike?

**Mr. Howell:** My right hon. Friend makes a good point. The events have happened only recently and it is not yet possible to disentangle the reasons for the decisions, but it cannot be denied that there appear to be no good industrial relations reasons for the decision of NUR's London Transport divisions to strike. That point needs to be made clear, especially to those who are being asked to support the action.

Commuters will be placed in great difficulty. They should be left in no doubt that they are now being challenged by decisions taken by a union executive, or by people in that union executive, which appear to be based on political opportunities and have very little to do with serious industrial relations matters.

**Mr. Michael English** (Nottingham, West): Is the Minister's policy the same as his predecessor's? Does he still adhere to the Government's policy of requiring inter-city services to break even and of subsidising London commuters? Could he not give British Rail a bit more money by dropping the subsidy to the prosperous London middle classes?

**Mr. Howell:** The policy has been pursued by successive Governments and is broadly correct. It is that the inter-city and freight services should aim at profitability—although I am afraid that it is not there at the moment—and that commuter services, rural services and socially desirable services should be supported by the taxpayer.

Although one would never believe it from some of the remarks made by Opposition Members and by critics of the Government, the Government have supported, and are supporting, the rail system, through social grant, at a higher level in real terms than ever before in its history. Last year I approved, and this year I continued to approve, a level of social grant up to £100 million higher, in real terms, than in 1980. That is what the Government wish to do. Whether the unions, through their foolish actions, challenge that purpose and make it impossible to proceed on that course is a question that will have to be resolved over the next few weeks.

**Mr. John G. Blackburn** (Dudley, West): Will my right hon. Friend accept the congratulations of the House on the Government's policy in giving more money in subsidy to British Rail than has been given by any other





Secretary of State for Industry

DEPARTMENT OF INDUSTRY  
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25 June 1982

JC JV

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

Prime Minister (2)

MUS 25/6

Dear Michael,

*[Handwritten signature]*

POSSIBLE EFFECT ON INDUSTRY OF A PROLONGED RAIL SHUTDOWN

My Secretary of State has considered further, in the light of the Prime Minister's meeting on Monday, the possible effect of a prolonged rail shutdown on the industries for which he is responsible, and whether any further contingency planning would be justified at this stage.

2 In the case of most products the proportion which travels by rail is low. Generally the overall impact of a prolonged rail strike is unlikely to be too serious unless workers in other industries refuse to co-operate eg in switching goods to road transport. But oil supplies may be a problem, particularly in the Thames Valley, Cumbria, the Midlands and South Yorkshire; and this of course could adversely affect industry.

3 As regards particular potential problem areas, my letter of 18 June described the position with respect to BSC, British Leyland, the Post Office and British Shipbuilders. As regards the private sector, officials have been asked to make enquiries of those industries which seem most likely to be vulnerable, though this needs to be done in a fairly discreet fashion to avoid any possible suggestion that the Government is nervous of the consequences of a prolonged dispute. At present possible problem areas seem most likely to be industrial gases and some other parts of the chemical industry - though even in these cases no serious difficulties are seen in the first few weeks. Officials at DHSS have told us that while a lengthy rail strike might embarrass a few companies in the pharmaceutical industry (which I understand was of particular concern to the Prime Minister), mainly in relation to the transport of raw materials, the industry as a whole is unlikely to be seriously affected.





We will aim to let you have any further or more precise information we receive in the course of next week.

4 As regards further contingency planning, standing contingency plans exist under which the Business Statistics Office (BSO) can conduct a telephone survey of firms on a weekly basis to monitor the effect of a strike (once it has started) or other emergency. This procedure involves a considerable diversion of effort from the BSO's normal activities, and there is a period of about 10 days between a decision to institute it and the availability of the first set of results. My Secretary of State does not think that we should take such a decision now, but will keep the possibility of doing so under review.

5 I am sending copies of this letter to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Scotland, Defence, Transport, Energy, Employment, Health and Social Security, Mr John Sparrow and Sir Robert Armstrong.

*Yours sincerely,*

*Jonathan Spencer*

J P SPENCER  
Private Secretary





25 JUN 1952



WASHINGTON

1952



Prime Minister

37



EJV

ms

The legislation is  
ready - secretly - for use  
when needed.

PRIME MINISTER

M/S 24/6

## INDUSTRIAL ACTION ON THE RAILWAYS: LAY-OFF

... My minute attached reports on the further consideration which has now been given to the legal aspects of industrial action on the railways. In this minute, which has been given a more restricted circulation, I report on my discussions with the Secretaries of State for Employment and Transport and the Attorney General about the extent to which legislation on lay-off might be relevant to the rail dispute.

2. Although other variants are theoretically possible, the two main variants of legislation providing for lay-off which have been thought worth serious consideration, and which have already been drafted, on a contingency basis, are as follows:

- i. a Bill providing that in a situation designated by the Secretary of State where industrial action was taking place or likely to take place affecting a substantial number of employers and employees (ie. in practice a national emergency) the Secretary of State could by Order provide that any employer (ie not just the employer whose workers were on strike) could lay off employees whose work was affected to any extent, either directly or indirectly by specified industrial action;
- ii. a Bill providing that in all circumstances (ie not just in a national emergency situation designated by the Secretary of State) an employer whose employees were taking industrial action (but not other employers consequentially affected) could lay off any employees of his own for whom work was affected to any extent by the industrial action.



It has been envisaged that the first variant (the "national emergency" variant) might be introduced in a situation like a miners' strike where, in order to ensure the financial survival of a large number of companies throughout the economy, employers might be permitted to override their contractual and statutory obligations to their employees (white collar workers and other workers covered by guaranteed week agreements) whose work was affected even though they were willing to work. The second variant (the "own employee" variant) is designed to deal on a permanent basis with the situation, encountered in the 1981 Civil Service dispute, where selective industrial action by a few white collar workers can disrupt the work of a large number of their colleagues, thus imposing considerable costs on the employer at little cost to the unions and their members. The employer concerned would be relieved of his contractual and statutory obligations to his own employees.

3. The circumstances in which such legislation might be most relevant to the rail dispute would be if, as occurred earlier this year, the bulk of the BRB's employees - ie. the NUR members - turned up for work but the railways could not operate because of industrial action by ASLEF. As the attached minute shows, this contingency is now thought to be very unlikely. On present evidence the most likely scenario is that from the beginning of the second week NUR and ASLEF will be on strike, and the BRB will be obliged to pay only a small proportion of their employees, (mainly members of the TSSA), and might well want to continue to do so. It would be difficult to justify legislation on "own employee" grounds purely for the purposes of relieving the BRB of their obligation to pay the TSSA's members. It remains for consideration whether at some stage legislation would be justified on "national emergency" grounds in order to enable other employers and not just the BRB to lay off employees whose work was affected as a result of industrial action on the railways. At present it seems unlikely that such a situation would emerge in the early stages of industrial action.

4. The draft Bills already in existence thus provide us with



options which we might want to consider using in suitable circumstances. Although at present such circumstances are not foreseen, we shall need to keep the situation under review.

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5. I am sending copies of this minute to the Secretary of State for Employment, the Attorney General, and Sir Robert Armstrong.

*Jenkins*

PP.

*[ seen by the Chancellor;  
signed in his absence.]*

GEOFFREY HOWE

24 June 1982



36

CJV

Prime Minister (2)

01 211 6402

MUS 2.5/6

SECRET AND PERSONAL

Peter Jenkins Esq  
Private Secretary to the  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON SW1

Original filed on: -  
Nat Ind: Coal: P 66.

24 June 1982

Dear Peter,

THE RAILWAYS

At the Prime Minister's meeting on Tuesday, it was agreed that the Chancellor and my Secretary of State should consider further how to finance maximum power station oil burn, should that prove necessary. Mr Lawson's view remains as set out in his letter of 17 June. Perhaps officials could quickly consider any alternative ideas yours might have in mind.

As you know, the Chancellor and Mr Lawson agreed this morning on the principle of compensating the CEGB for the extra costs of maximising Scottish electricity imports from the start of the rail strike. We have therefore asked the CEGB to do this. Our officials will also need to agree the details of this scheme, presumably in a way that combines with any payments for oil-burn.

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

Yours ever,

JULIAN WEST  
Private Secretary



Prime Minister

34 19

To note.

The legal position

is just as bad as wefeared. That this has emerged

so late suggests extraordinary

incompetence in the Board if not the

Department.

MS 24/6

PRIME MINISTER

1 must  
sit(with  
the Chancellor.  
MS)

At your meeting on Monday I was asked to explore further, in consultation with the Attorney General, the Secretaries of State for Transport and Employment and Mr Sparrow, the extent of the legal constraints on the British Railways Board's (BRB) room for manoeuvre. You will recall that the point arose in discussion of Annex C to the Secretary of State for Transport's minute to you of 17 June.

2. A total rail strike by the NUR from midnight on Sunday 27 June still seems probable. The talks which the NUR sought with the BRB on Tuesday morning made no progress; and the further talks later that day with all the parties showed no change in the position of the trade unions. Thus, by the end of this week, ASLEF, which so far has not called for an all-out strike, will need to decide what to do. If they were to decide against participating in a strike called by the NUR, their members would continue to be paid only if they were to report daily for work, which would mean crossing NUR picket lines. Moreover, in the event of a strike the BRB may well decide to withdraw their pay offer. The assessment must therefore be that ASLEF is almost certain to strike from midnight on Sunday if the NUR persist with their strike.

3. However, against the possibility that ASLEF might prefer to leave the NUR in the front line, the BRB have been considering what their tactics should be. The Board is very concerned to avoid being seen by the general public to be paying ASLEF while the NUR is on strike, as the 1919 Guaranteed Week Agreement would require them to do. Their principal concern will therefore be to ensure that ASLEF participate in any strike. But the extent to which the BRB can force ASLEF's hand is circumscribed to some extent by the legal position, which they clearly have examined thoroughly and their assessment of which accords with our own.



4. The legal position is as follows. The BRB's 1919 Guaranteed Week Agreement - which forms part of the contract of employment of NUR and ASLEF members - requires the Board to pay guaranteed standard wages for 8 hours per day and 40 hours per week. Thus, if the BRB were to lay off without pay the members of one trade union because they had no work to do as a result of an all-out strike by other employees, individual railwaymen could sue the BRB for their guaranteed wages. Although the BRB will exploit such opportunities as the Agreement gives to mount an arguable case, the firm legal advice to them is that they would very probably lose such an action. This is also the Attorney General's view.

5. The position in relation to flexible rostering is more complex. The men could work the new rosters but demand to be paid on the basis of the 1919 Agreement ie. for 8 hours even if they were rostered for less, thus effectively nullifying the productivity gains. Alternatively, the men could refuse to work the new rosters. There would then appear to be three options for the BRB, viz:-

- i. Suspend the drivers without pay: the BRB would then be open either to action before the courts for wages due, which they had been advised that they would almost certainly lose; or alternatively, the employees could claim unfair and/or wrongful dismissal, which are discussed below.
- ii. dismiss the drivers without notice: the BRB would then be open either to action in the courts claiming wrongful dismissal, which they could again expect to lose to the extent of being bound to pay the wages outstanding in respect of the due notice period; or possibly also to unfair dismissal proceedings in an Industrial Tribunal as in iii. below; or
- iii. dismiss the drivers with due notice (of up to 12 weeks): this would leave the BRB open to a claim before an Industrial Tribunal for unfair dismissal, which they might succeed in defending on the grounds that their action was reasonable in the circumstances.



A test case in the courts might be brought in quite quickly; but proceedings before an Industrial Tribunal could take some months to resolve.

6. The BRB's assessment is that faced with suspension ASLEF would be much more likely to call an all-out strike than to seek redress through the courts. If the BRB were to dismiss drivers, ASLEF would almost certainly go to law.

7. Against that background the tactics which the Board intend to adopt over the next couple of weeks are as follows. The Board will not want to move immediately to suspend ASLEF members, if they are not directly involved in the strike, because they will want to assess the extent to which the NUR's strike call is being supported; there are signs in some areas that the membership may not be fully behind the NUR leadership in their call for an all-out strike. But if by the end of next week it is clear that the strike is being supported by the majority of NUR members, the Board will want so far as possible to try to force ASLEF to participate in the strike without running the risk of legal action. Withdrawal of the pay offer, or the imposition of flexible rosters, as planned, from 4 July, might be appropriate steps.

8. We should be ready to raise this with the Board if necessary. But in general I think we must leave it to them, in the light of the legal advice which they have, to decide how best to handle the situation over the next couple of weeks. If however, we seem set for a prolonged all-out strike on the railways, there are two points which will need to be considered at some stage.

9. First, the Board are considering whether it would be right at some point to dismiss the entire railway workforce and to offer to re-engage them on the basis of a new contract of employment. This might, for example, offer an opportunity for the Board to withdraw from the 1919 Guaranteed Week Agreement or substantially to modify it. A great deal of further work is required on this, which the Board has in hand. I understand that a major legal consideration relating to the new terms on which the BRB might offer to re-engage staff is the need for them to act reasonably.



10. Secondly, the Board will also need to consider at some stage whether there might be any advantage in concluding a separate deal with the NUR. A condition of such a deal might, for example, be that NUR members were prepared to substitute for ASLEF members in driving trains. There seems to be no legal obstacle, but the Board doubts whether such action would in fact be feasible for practical and safety reasons. I understand that they are preparing a detailed paper for the Secretary of State for Transport. Once he has that, he will want to consider with BRB what ways can be found through the problems.

11. I am sending a copy of this minute to the Home Secretary, the Secretaries of State for Scotland, Energy, Transport, Industry and Employment, the Attorney General, Mr Sparrow and Sir Robert Armstrong.

*J. Kew.*

*{ Seen by The Chancellor;  
Signed in his absence. }*

PP.

GEOFFREY HOWE  
24 June 1982





DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Prime Minister

Comment with Mr Howells'  
Statement?

Willie Rickett Esq  
Private Secretary to  
the Prime Minister  
10 Downing Street  
LONDON  
SW1

24 June 1982

LM  
24/6

Dear Willie,

It was agreed at Cabinet this morning that my Secretary of State should make an oral statement in the House tomorrow on the current industrial action affecting London Transport and the threatened action on British Rail. I attach a copy of the proposed statement.

The latest situation is as follows. On LT, the NUR decided late this afternoon that they were not prepared to accept LT's offer of a four week cooling off period for the dispute on service cuts on the London Underground. They have called an all out strike as from midnight. They have also announced that they will be on strike over London Transport's pay offer of 5% plus 2% for productivity as from Monday morning. The precise motives for suddenly bringing in the pay issue now are not yet clear. They are obviously connected with the fact that the NUR Conference begins on Monday morning. The Conference lasts for a fortnight during which time the 77 delegates, rather than the Executive Committee, take the decisions for the union.

The pay offer was made last week. Discussions about it between LT and the unions were at an early stage and were scheduled to be continued. No final offer had been made or discussed.

The position on BR's industrial action remains unchanged, save for ACAS offering to meet all the parties this afternoon. Unless there are new developments, NUR will come out on an all out strike as from midnight, Sunday, 27 June. ASLEF have yet to declare their hand.

I am copying this to the Private Secretaries to the members of the Cabinet, and the Private Secretaries to the Chief Whip, Sir Robert Armstrong and Mr Sparrow.

Yours,

Anthony Mayer

R A J MAYER  
Private Secretary





SECRET

Transport

34

cc. Econ Pol : Public Sector Pay: 167

Ref. A08797

PRIME MINISTER

Industrial Affairs

Under Industrial Affairs, the main items for discussion will be:

- i. the NHS dispute;
- ii. industrial action affecting London Transport and British Rail.

NHS dispute

2. You will wish to invite the Secretary of State for Social Services to report on the latest position in the NHS dispute. In addition the Secretary of State for Employment will be ready to report on picketing by other unions in support of the NHS unions, and what might be done about that.

3. On picketing the Secretary of State for Employment and the Chancellor of the Exchequer have been giving urgent consideration to what should be done about civil servants who engage in this activity in support of NHS unions. They have commissioned an urgent report on how civil service disciplinary procedures can be brought to bear most effectively in this situation. Officials, in the shape of the Group on Industrial Action chaired by the Minister of State, Treasury, will be reporting to Ministers next week with specific proposals for consideration.

Railways

4. You will wish to invite the Secretary of State for Transport to report on the latest position regarding industrial action affecting both London Transport and British Rail. In addition the Home Secretary will be ready to give an oral report on contingency plans following his meeting of the Civil Contingencies Unit at Ministerial level this afternoon.

SECRET





SECRET

5. You should also be receiving this evening two minutes from the Chancellor of the Exchequer about the legal aspects of the British Rail dispute, following the remit you gave him at your informal meeting on Monday. One of these minutes, which has been given a very restricted circulation, discusses the relevance of legislation on lay-off to the BR situation. These matters, and particularly lay-off, are probably better pursued by you and the Ministers directly concerned rather than in Cabinet.

*RA*

ROBERT ARMSTRONG

23 June 1982



CONFIDENTIAL

MR. MOUNT

c.c. Mr. Scholar ✓  
Mr. Ingham

The Railways

Together with my Department of Transport and CPRS colleagues, I had another meeting first thing this morning with Peter Parker, Jim Urquart, and Sidney Hoggart (Deputy Director of Industrial Relations). The intention of this meeting was to clarify the remaining legal and the financial issues, following yesterday's meetings (which I have recorded in a separate note), but we did of course also cover the general picture.

The negotiations

Today's Financial Times story is broadly correct, except that Urquart vehemently denies that he gave ~~any~~ indication at all of willingness to bring forward the pay settlement date. The new feature about yesterday's talks with the unions was the unexpectedly conciliatory tone adopted by both NUR and ASLEF. Either, having been driven to the precipice, they have decided they do not like what they see; or, they are playing a totally cynical public relations game. British Rail appear to have acted quite constructively, without giving away the basis of their position on productivity. Their proposal that flexible rostering be introduced as an experiment in a number of regions would establish the principle, and break through the ASLEF barrier of total refusal to make progress on it; and the suggestion to run the Bedford/St. Pancras route on the basis of single-manning as far as St. Albans, and thereafter on the basis that NUR wants, would also achieve the lion's share of British Rail's objective. But the unions did no more than undertake to consult further and possibly seek further discussions with the Board, and no progress has been made with the NUR over single-manning of freight trains fully fitted with automatic brakes.

CONFIDENTIAL

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We must expect therefore that there will be intensive discussions among the parties over the next few days, possibly at some stage involving ACAS again; at this stage it still looks likely that NUR will strike next week, but all hope of a settlement has not yet been abandoned.

#### Workforce Attitudes

We have been pressing British Rail for some time now through a number of channels to make serious efforts to persuade their workforce of the benefits to them of the proposed productivity changes, and of the risks to the industry of industrial action; and we have also encouraged British Rail to get some feed-back of workforce attitudes. We were assured this morning that a major effort is being made by management at all levels, and that this may be having some effect. British Rail believe that ASLEF members will always respond to instructions from their leadership; but that the majority of NUR members do not want a strike, and might bring pressure to bear for a settlement. We were shown a copy of a further letter that Peter Parker will issue to all employees tomorrow, which contains some fairly blunt statements about the position. Some of these, we pointed out, were perhaps unwise, notably the statement that there would be no pay rise (rather than that the pay offer would be withdrawn) if there was a strike, and the indication that British Rail might not be able to pay wages to those willing to work normally after more than one week if the railways were not working. The Board have commissioned some continuing opinion-sampling among the workforce, the existence and results of which they are proposing to keep highly confidential (I may be able to find out more of this from Tommy Thompson of ORC, who is I think doing it). We discussed the possibility of a management ballot being conducted at the point at which the information available to the Board showed that it would have the right results. We agreed that there would need to be continuing liaison between the Department of Transport's Information Division and the British Rail Head of Public Relations (Grant) if a strike happens.



Legal Implications

We confirmed that the legal advice available to the Government was consistent with the legal advice given to British Rail over the basis for enforcing flexible rosters. The British Rail Board are, however, more willing than Ministers to contemplate fighting this legal battle, if necessary, because they believe that the public would not stand for their sitting idly by while ASLEF collected their pay packets for doing nothing if NUR were on strike. However, they share our assessment that ASLEF members will not in the event be prepared to cross NUR picket lines.

Financial Aspects

With the authority of the conclusion of the Ministerial discussion on Monday, we confirmed to the Board that in the event of the railways not running, the PSO grant would be withheld, and that the Government would meet its obligations to prevent British Rail going bankrupt by ~~permitting~~ extra short-term borrowing. Peter Parker simply responded that there would need to be further study of the propriety of British Rail increasing its short-term debt in order to meet wage and salary bills, if it had already run out of cash.

Running the Railways without ASLEF

Ministers have often shown themselves attracted to the possibility of a separate settlement with NUR, followed by a resumption of operations without ASLEF members. We asked the Board for their reactions to it, and, frankly, they fell about laughing. There are no NUR drivers on the Southern Region, apart from two or three at Southend. It would be impossible to devise any kind of ~~profitable~~ coherently net-worked service for the remainder of the country. The scale of risks in accelerated training, or use of supervisors would be enormous. Nonetheless, we asked them to study the possibilities carefully - I mentioned, for



CONFIDENTIAL

- 4 - ..

instance, the possibility of merely keeping the essential services, such as the coal merry-go-rounds and nuclear waste disposal, going - and they are probably being a little over-cautious in their first reaction to a suggestion that has not hitherto occurred to them.

J. M. M. VEREKER

23 June, 1982.

CONFIDENTIAL





33  
file ✓ JV

~~SUBJECT~~  
cc Marder

10 DOWNING STREET

From the Private Secretary

22 June 1982

Dear Anthony,

THE RAILWAY DISPUTE

The Prime Minister held a meeting this morning at 11.00 am to discuss your Secretary of State's minute to her of 17 June; the minutes of 10 and 18 June from the Chancellor of the Exchequer; the letter of 17 June from the Secretary of State for Energy to the Chancellor of the Exchequer; the letter of 18 June to me from the Private Secretary to the Secretary of State for Energy; and Mr. Gregson's minute to me of 11 June. Those present were the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Industry, Energy, Transport and Employment, the Attorney General, Mr. Sparrow (CPRS), Sir Robert Armstrong and Mr. Gregson (Cabinet Office).

Your Secretary of State said that the British Railways Board (BRB) would be meeting the trades unions tomorrow (22 June). But the chances of making progress seemed slim. The threat by the National Union of Railwaymen (NUR) to strike from midnight on 27 June had not been withdrawn, although the NUR were clearly becoming increasingly uncomfortable at being in the front line and it was, therefore, possible that the decision to call an all-out strike might be referred to their annual conference, which would begin on 28 June and last for two weeks. In those circumstances the start of the strike, which the BRB thought inevitable, would probably be delayed until 4 July, when flexible rosters were to be introduced. Copies of a letter from the Chairman of the BRB had already been sent to each member of the workforce setting out the improvements in productivity which the BRB was seeking, the benefits for the men as well as the railway and the implications of a strike. The BRB would be writing again to the workforce later this week to emphasise that staff who reported for work and as a consequence were expelled from their trade union, would not be sacked despite the BRB's closed shop agreement.

As regards London Transport (LT), the management thought that the industrial action taking place that day would gradually diminish throughout the week and that the chances of simultaneous industrial action on LT and BR were not very great. But the situation was changing rapidly. There was evidence of attempts to coordinate industrial action on BR and LT and the possibility that they would succeed clearly could not be ruled out.

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The following were the main points made in discussion:

i. The contingency and other planning undertaken so far had been on the assumption that there would not be simultaneous industrial action on BR and LT. In the light of recent developments, officials should therefore consider urgently the steps that might need to be taken in London to deal with the consequences of simultaneous all-out strikes on BR and LT in time for the matter to be considered by the Civil Contingencies Unit at Ministerial level on Wednesday;

ii. It should be made clear to the BRB that it would be most undesirable for them to conclude a separate settlement with the NUR, unless this could be on condition that NUR members drove trains thus allowing key services to be maintained. Basic training might take only about 5 - 6 weeks. In any case, about 10 per cent of train drivers were already NUR members. A separate pay deal with the NUR with no such strings attached, which meant that the railway remained closed down because of continuing industrial action by ASLEF, would greatly increase the costs of a strike. However, it was far from certain that the NUR, or the trades unions in other industries, would be prepared to cooperate. The point should also be made to the BRB that the only acceptable outcome to a strike would be the resolution of all the outstanding productivity improvements;

iii. It was possible that the NUR might have second thoughts about precipitating a national rail strike. If they did and their members were to report for work, the BRB would seem to have no option under the 1919 guaranteed week Agreement but to pay them even if there was no work for them. Similarly, if ASLEF members were to express themselves willing to operate the existing rosters the BRB would appear to have no legal grounds on which to lay them off. Primary legislation would be required to relieve the BRB of their obligations under that agreement. If the BRB were to decide to lay off staff who had no work to do because of the industrial action of others or to suspend ASLEF members for refusing to work flexible rosters, the trades unions could seek redress through the Courts, although the BRB thought that there was little chance of them doing so;

iv. In the event of a prolonged, all-out strike, the Government would have little choice but to increase the BRB's temporary borrowing limit to the extent required to meet their inescapable financial commitments. The BRB's financial position would need to be monitored regularly. It should also be made clear to the BRB that the increased borrowing would have to be repaid as soon as possible, from faster asset sales; and

v. The National Coal Board (NCB) thought that the miners would cooperate fully in maximising coal deliveries by road to the power stations during a rail strike, but that their cooperation would be withdrawn if power station oilburn were immediately to be maximised. In these circumstances the best course might be to

/ delay



delay a decision on oilburn until after the NUM Annual Conference. Little, if anything, would be lost by doing so. But the export of power from Scotland and the delivery of coal by waterway as well as road should be maximised as soon as a rail strike began.

The Prime Minister, summing up the discussion, said that it was most unsatisfactory that legal constraints on the BRB's freedom of action in relation to flexible rostering had emerged at this late stage. It would be vital to retain public support for a tough management line and for achieving the change of climate sought by the BRB. It was agreed that BRB's temporary borrowing limit could be increased to the minimum extent required to accommodate their inescapable financial commitments, the increased borrowing to be repaid as soon as possible from further accelerated asset sales. The Public Service obligation grant should be withdrawn as soon as a strike began. The Chancellor of the Exchequer, in consultation with the Secretaries of State for Transport and Employment, the Attorney General and the Head of the CPRS should urgently consider whether the legal position was as had been suggested and, if so, whether ways could be devised of circumventing the problems which had emerged. The Home Secretary should arrange for the Civil Contingencies Unit to consider urgently the chances of simultaneous all-out strikes on BR and LT and the steps that might need to be taken in London to cope with such a situation. A decision on maximising power station oilburn should be deferred until after the NUM annual conference. Other steps to conserve power station coal stocks - principally the export of maximum power from Scotland - should be taken immediately a rail strike began. The Chancellor of the Exchequer and the Secretary of State for Energy should consider further the basis on which maximum power station oilburn would be financed, should it prove necessary. Officials should review the impact on industry to clarify whether any further contingency planning might be necessary or worthwhile.

I am sending copies of this letter to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Industry, Energy, Employment, Scotland and Defence, the Attorney General, Mr. Sparrow (CPRS), and Sir Robert Armstrong (Cabinet Office). I should be grateful if you and they would ensure that it is circulated within Departments only to those who really need to see it.

*Yours sincerely,*

*Michael Scholar*

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





~~Transport~~

PA ✓

**CABINET OFFICE**

Mr M Scholar

With the compliments of

*PLG*

P L GREGSON

21.6.82

70 Whitehall, London SW1A 2AS  
Telephone 01 233 8339



32a

DRAFT LETTER FOR MICHAEL SCHOLAR TO SEND TO A J MAYER, DEPARTMENT OF TRANSPORT~~COAL AND~~ THE RAILWAYS DISPUTE

The Prime Minister held a meeting this morning at 11.00am to discuss your Secretary of State's minute to her of 17 June; the minutes of 10 and 18 June from the Chancellor of the Exchequer; the letter of 17 June from the Secretary of State for Energy to the Chancellor of the Exchequer; the letter of 18 June to me from the Private Secretary to the Secretary of State for Energy; and Mr Gregson's minute to me of 11 June. Those present were the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Industry, Energy, Transport and Employment, the Attorney General, Mr Sparrow (CPRS), Sir Robert Armstrong and Mr Gregson (Cabinet Office).

Your Secretary of State said that the British Railways Board (BRB) would be meeting the trades unions tomorrow (22 June). But the chances of making progress seemed slim. The threat by the National Union of Railwaymen (NUR) to strike from midnight on 27 June had not been withdrawn, although the NUR were clearly becoming increasingly uncomfortable at being in the front line and it was, therefore, possible that the decision to call an all-out strike might be referred to their annual conference, which would begin on 28 June and last for two weeks. In those circumstances the start of the strike, which the BRB thought inevitable, would probably be delayed until 4 July, when flexible rosters were to be introduced. Copies of a letter from the Chairman of the BRB had already been sent to each member of the workforce setting out the improvements in productivity which the BRB was seeking, the benefits for the men as well as the railway and the implications of a strike. The BRB would be writing again to the workforce later this



week to emphasise that staff who reported for work and as a consequence were expelled from their trade union, would not be sacked despite the BRB's closed shop agreement.

As regards London Transport (LT), the management thought that the industrial action taking place that day would gradually diminish throughout the week and that the chances of simultaneous industrial action on LT and BR were not very great. But the situation was changing rapidly. There was evidence of attempts to coordinate industrial action on BR and LT and the possibility that they would succeed clearly could not be ruled out.

The following were the main points made in discussion:

i. the contingency and other planning undertaken so far had been on the assumption that there would not be simultaneous industrial action on BR and LT. In the light of recent developments, officials should therefore consider urgently the steps that might need to be taken in London to deal with the consequences of simultaneous all-out strikes on BR and LT in time for the matter to be considered by the Civil Contingencies Unit at Ministerial level on Wednesday;

ii. ~~it was argued that~~ it should be made clear to the BRB that it would be most undesirable for them to conclude a separate settlement with the NUR, unless this could be on condition that NUR members drove trains thus allowing key services to be maintained. Basic training <sup>might</sup> would take only about 5-6 weeks. In any case, about 10 per cent of train drivers were already NUR members. A separate pay deal with the NUR with no such strings attached, which meant that the railway remained closed down because of continuing industrial action by ASLEF, would



greatly increase the costs of a strike. However, it was far from certain that the NUR, or the trades unions in other industries, would be prepared to cooperate. The point <sup>should</sup> might also be made to the BRB that the only acceptable outcome to a strike would be the resolution of all the outstanding productivity improvements;

iii. it was possible that the NUR might have second thoughts about precipitating a national rail strike. If they did and their members were to report for work, the BRB would seem to have no option under the 1919 guaranteed week Agreement but to pay them even if there was no work for them. Similarly, if ASLEF members were to express themselves willing to operate the existing rosters the BRB would appear to have no legal grounds on which to lay them off. Primary legislation would be required to relieve the BRB of their obligations under that agreement. If the BRB were to decide to lay off staff who had no work to do because of the industrial action of others or to suspend ASLEF members for refusing to work flexible rosters, the trades unions could seek redress through the Courts, although the BRB thought that there was little chance of them doing so;

iv. in the event of a prolonged, all-out strike, the Government would have little choice but to increase the BRB's temporary borrowing limit to the extent required to meet their inescapable financial commitments. The BRB's financial position would need to be monitored regularly. It should also be made clear to the BRB that the increased borrowing would have to be repaid <sup>as soon as possible,</sup> in due course from faster asset sales; and

v. the National Coal Board (NCB) thought that the miners would cooperate fully in maximising coal deliveries by road to the power



stations during a rail strike, but that their cooperation would be withdrawn if power station oilburn were immediately to be maximised. In these circumstances the best course might be to delay a decision on oilburn until after the <sup>NUM</sup> National Union of M<sup>I</sup>neworkers' Annual Conference. Little, if anything, would be lost by doing so. But the export of power from Scotland and the delivery of coal by waterway as well as road should be maximised as soon as a rail strike began.

The Prime Minister, summing up the discussion, said that it was most unsatisfactory <sup>that</sup> for the legal constraints on the BRB's freedom of action in relation to flexible rostering <sup>had</sup> to emerge at this late stage. The <sup>retention</sup> ~~chances of retaining~~ public support for a tough management line and for achieving the change of climate sought by the BRB, <sup>jeopardised</sup> would be ~~greatly~~ diminished were it to <sup>be</sup> ~~emerged~~ that the Board's intended course of action was unlawful. The Chancellor of the Exchequer, in consultation with the Secretaries of State for Transport and Employment, the Attorney General and the Head of the CPRS should urgently consider whether the legal position was as <sup>had been</sup> ~~the BRB~~ suggested and, if so, whether ways could be devised of circumventing the problems which had emerged. The Home Secretary should arrange for the Civil Contingencies Unit to consider urgently the chances of simultaneous all-out strikes on BR and LT and the steps that might need to be taken in London to cope with such a situation. ~~Ministers were agreed that a~~ decision on maximising power station oilburn should be deferred until after the NUM annual conference, ~~provided that the NCB was clear that the miners would cooperate in maximising coal deliveries by road.~~ Other steps to conserve power station coal stocks - principally the export of maximum power from Scotland - should be taken immediately a rail strike began. The Chancellor of the Exchequer and the Secretary of State for Energy should consider further the basis on which maximum power station oilburn would be financed, should it prove necessary. ~~Ministers noted that the impact of a~~

It was agreed that BRB's temporary borrowing limit could be increased to the minimum extent required to accommodate their inescapable financial commitments. The increased borrowing to be repaid as soon as possible ~~from~~ <sup>from</sup> accelerated ~~asset~~ sales. The Public Service obligation grant should be withdrawn as soon as a strike began.



~~rail strike on the finances of the British Steel Corporation would not be as bad as had been expected.~~ Officials should review the impact on other industries to clarify whether any further contingency planning might be necessary or worthwhile.

I am sending copies of this letter to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Industry, Energy, Employment, Scotland and Defence, the Attorney General, Mr Sparrow (CPRS) and Sir Robert Armstrong (Cabinet Office). I should be grateful if you and they would ensure that it is circulated within Departments only to those who really need to see it.



SECRET

cc Mr. Scholar 32

MR. MOUNT

British Rail

Yesterday's Meeting of Ministers did take the decisions that were needed on the ~~financial~~ <sup>financial</sup> aspects of the forthcoming strike: to stop the PSO grant, to authorise increased short-term borrowing, and to postpone the increased oil burn for a period of two weeks to see to what extent the NUM would be prepared to co-operate in accelerated road deliveries of coal.

But Ministers also went off - largely at the Prime Minister's insistence - on two unexpected tangents:

(i) Mr. Whitelaw was given a remit to examine urgently our ability to cope with extended simultaneous industrial action on the railways and the tubes, in the light of the unexpectedly thorough disruption of the underground this week. Accordingly there will be a meeting of the Civil Contingencies Unit under the Home Secretary's chairmanship tomorrow afternoon, which I will attend.

(ii) The Chancellor was told to investigate whether BR would be on a sound legal basis if they were to impose flexible rosters on ASLEF, given the existence of the 1919 agreement guaranteeing a 40 hour week. I have been engaged in discussions most of today on that point, the outcome of which will be a note from the Chancellor to the Prime Minister in time for Cabinet on Thursday. In short, the unions could claim breach of contract under common law, against which British Rail would have no adequate defence since they would have altered drivers' terms of service without their agreement; but BR could move to dismiss those who refused to work the new rosters, and provided they had given reasonable notice - about 12 weeks - they could mount a defence on the grounds that the new rosters did in fact represent reasonable terms of service, since they had already successfully argued to the RSNT that they would in fact benefit the drivers. But there would be no certainty of the outcome.

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- 2 -

I have been arguing that at some point it will be necessary for BR to give notice of intention to withdraw altogether from the 1919 agreement, and this may well prove to be part of the outcome of the strike. The latest position on the strike itself is that neither BR nor the NUR made any significant move today, and the strike is expected to start at the beginning of next week. It is highly unlikely that ASLEF will be prepared to cross NUR picket lines in order to sit idly for eight hours and thus earn their pay packets, so both ASLEF and the NUR will probably be out at the same time.

John Vereker

22 June 1982

SECRET



SECRET

c. Mr. Mount  
Mr. Ingham  
Mr. Walters

31

Transport

PRIME MINISTER

INDUSTRIAL ACTION ON THE RAILWAYS

The BR Board have been luckier than they deserve: the unions have played into their hands by forcing the pace, and there will now probably be the kind of strike which both we and the Board can best sustain - soon, with the railways completely closed, and at least two of the three main unions not being paid. But it is still a dangerous situation. We have no recent experience of the effects of an extended closure of the railways. And no strike has a predictable outcome. So we must not let the unions (or the Board) turn it into a dispute with the Government: Mr. Howell is absolutely right to conclude that we must leave the Board to handle it.

This means that there are only a limited number of decisions for Ministers. There is no point in trying to settle negotiating limits, or the shape of a settlement package: experience of the ASLEF dispute earlier this year, and of discussions with the Board leading up to their conditional 5% offer, shows clearly that the Board will pursue its own tactics and objectives anyway. Ministers need at this stage to decide only:

- i. whether they are still prepared to contemplate a long closure (because if they are not this is the last chance to say so);
- ii. when to start maximum oil burn in order to preserve coal stocks;
- iii. whether and if so how they will keep BR solvent during the strike; and
- iv. what public stance they will adopt in the run up to and during the strike.

/1. Are we

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- 2 -

1. Are we still prepared to contemplate a long closure?

There are three arguments against, which your colleagues may raise:

- i. That the likely cost to other public sector industries, summarised in the Chancellor's note of 10 June, is too high. The two dominant elements are extra oil burn, and foregone steel production. The extra oil burn could possibly be reduced (see below), but anyway we should fight one battle at a time, and not give up this one for fear of the miners. BSC ought to be able to find a cheaper way of coping with a long strike: Mr. Jenkin will no doubt report on that.
- ii. That the unions will gang up in a confrontation against the Government. It is true that there are some signs (e.g. the miners supporting NHS workers) of the unions getting their act together. But the triple alliance shows no sign of life, and the holiday season is an unlikely time for other union members to come out in substantial support of the railway workers. Running away from union threats now is likely to encourage confrontation later in the year.
- iii. That we can't see how it will end. True: but the paper at Annex A to Mr. Howell's note (based on a draft by officials, not by the Board, after our meeting with Sir Peter Parker and his colleagues) is a start. The ingredients for a settlement - 5% plus productivity payments in return for agreement on the productivity issues - are there.

/So these

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SECRET

- 3 -

So these arguments are not convincing. And the case for sustaining the strike is simple. Without it, BR will have to continue to award higher annual pay increases while getting back no offsetting efficiency and productivity savings. The PSO grant and the EFL will continue to increase inexorably, and the service will continue to decline. A strike which is settled on the basis of delivery of more efficient working practices could be a turning point for BR, leading towards lower losses and a better service. (Ferdie Mount wholeheartedly agrees with this assessment.)

2. Do we start maximum oil burn immediately?

Yes, ideally, to maintain our insurance policy against the miners. But it is expensive, and one possibility would be to delay oil burn for two weeks so as to see how much coal was getting through by road, and how long the strike looked set to last. Some of the cost can be passed on to the consumer, ultimately.

3. Financial

There is little choice. Previous Ministerial commitments prevent us from allowing BR to go bankrupt. Forced asset sales could not realise much in time. After a few weeks BR will need cash (the table at the foot of page 1 of Annex B summarises the situation). It is clearly preferable to allow them further short term (1 year) borrowing, rather than to pay the PSO grant when the railways are closed. Loans do at least have to be repaid, and the Board, the unions and the public will all know it.

I would expect the unions - with covert encouragement from the Board - to try to extract a Government commitment to new investment (notably for East Coast electrification) as part of the settlement price. We should keep an open mind on this: if the other ingredients were fully satisfactory, Alan Walters would not rule it out - it could show quite a good return.

I doubt  
it.  
MCS

/4. The Government's

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- 4 -

4. The Government's Public Stance

You established the right starting point in the House yesterday: the Government will not intervene to stop the strike. As we get into it, we can help bring about a satisfactory settlement - which will depend on the public putting up with extended inconvenience - by developing this a little. But we must not be led into overt support for the Board's tactics. It would, for instance, be quite appropriate for Ministers to remind the public of the enormous and increasing cost of running the railways, of the hopelessness of achieving a better service without major improvements in efficiency, and in general terms of the inability of any employer to offer pay rise after pay rise with nothing in return. It would be quite wrong to endorse the 5% offer or the list of productivity objectives, given the Board's constantly shifting position.

J.

18 June 1982

SECRET





g/c sv 30

SECRET AND PERSONAL

P.0783

PRIME MINISTER

The Railways

INTRODUCTION

The papers for your meeting on Monday at 11.00 am are as follows:

flag 1

i. the Secretary of State for Transport's minute to you of 17 June;

flag 2

ii. the Chancellor of the Exchequer's minute to you of 18 June;

these deal with a variety of questions of policy and tactics relating to the handling of a rail strike;

flag 3

iii. the Chancellor of the Exchequer's minute to you of 10 June;

flag 4

iv. the Secretary of State for Energy's letter of 17 June to the Chancellor of the Exchequer;

flag 5

v. my minute of 11 June to Mr Scholar; and

flag 6

vi. the letter of 18 June from the office of the Secretary of State for Industry;

these four papers deal with the industrial costs of a rail dispute, particularly the costs of oilburn and the impact on the finances of the British Steel Corporation (BSC).

MAIN ISSUES

2. The main issues for discussion seem to be as follows:

||

i. the handling of a strike and, in particular, whether further work should be commissioned from the British Railways Board (BRB) on this or on their objectives;

SECRET AND PERSONAL



SECRET AND PERSONAL

- ii. the likely impact of a lengthy strike on the finances of the BRB and what the Government should do about this;
- iii. whether maximum power station oilburn etc should begin immediately a rail strike starts, and who should pay for the costs of maximum oilburn; and
- iv. the implications for the finances of BSC.

(i) Objectives, tactics and handling

3. The BRB's statement of objectives, which is Annex A to the Secretary of State for Transport's minute, is, as he says, woolly. As the Chancellor points out in his minute of 18 June, there is, as yet, no evidence of a clearly developed tactical plan for how the BRB intend to handle the strike; the request resulting from your last meeting on this subject (on 26 May) that the Board should quickly develop its thinking on tactics and on the minimum acceptable terms for a settlement, has produced little result. The Secretary of State for Transport is however probably right to suggest that it will not be possible to get more clarity from the BRB until the strike has started when the attitudes of the unions and the relative importance of the various issues will be easier to judge. At that point it will be desirable to press the Board further on their tactics, principally to ensure that they themselves have done the necessary thinking and secondly to try and secure early warning of important developments. In doing so it will be important to make clear that the Board, not the Government, is in the front line and to avoid any inclination on the part of the BRB to sidestep their responsibilities.

(ii) The impact on the BRB's finances

4. As explained in Annex B to the Secretary of State for Transport's minute, the BRB appear to be obliged to pay the wages of staff laid off by a strike by railway workers, although the legal position needs to be clarified further. If this is the case the BRB could run out of funds in 3-6 weeks, unless all the unions were to strike, which now seems very unlikely. It is for the BRB to decide whether to lay men off without pay and face legal action; there is no need for the Government to express a view on this. The question for the Government is: whether, and if so, how, to keep the BRB in funds?





SECRET AND PERSONAL

5. The Secretary of State for Transport concludes:

- a. that the Public Service Obligation (PSO) grant of £15.5 million per week should be withdrawn as soon as a strike begins;
- b. that the Government could not permit the BRB to be in a position where it could not meet its liabilities to creditors; ~~PSO grant~~
- c. that asset sales, however vigorously pursued, could not in practice make good the BRB's cash flow deficiency within the necessary timescale.

It is unlikely that these conclusions will be contested by other Ministers.

6. The Secretary of State therefore recommends that the BRB's temporary borrowing limit should be increased by the minimum necessary to allow them to meet inescapable financial commitments. We understand that the Chancellor agrees that this is the best course. It would be clear to the unions that the cost of the strike was being met by the railway, not the Government; and no increase in BRB's EFL would be required.

(iii) Power station oilburn

7. The gross cost of maximum power station oilburn is about £30 million per week. The Chancellor of the Exchequer, in his minute of 10 June, suggests that the implications of a lower level of oilburn, or of delaying the start of maximum oilburn, should be examined. The Secretary of State for Energy in his letter of 17 June argues that maximum oilburn from the start of a rail strike is necessary if maximum power station coal stocks are to be achieved by November.

8. There seem to be three issues for Ministers, viz:

- i. is maximum oilburn essential from the start of a rail strike?
- ii. if not, what delay (or lower level of oilburn) would be tolerable?
- iii. whatever the level of oilburn, who should pay for it?

SECRET AND PERSONAL





SECRET AND PERSONAL

9. An assessment of the need for maximum oilburn and its timing depends on the following four factors:

- a. the likely length of the rail strike;  
(The BRB's estimate is 2-3 months.)
- b. the likely degree of cooperation from the miners;  
(Given that their own pay negotiations will start in the autumn, it would be prudent to assume only limited cooperation, ie normal rates of coal deliveries by road etc but no increase.)
- c. the extent to which the CEEGB might, notwithstanding (b) above, clandestinely increase coal deliveries by road etc above normal levels;
- d. every week's delay in starting maximum oilburn during a rail strike reduces endurance of a miners' strike by about a half week (out of total planned endurance of a miners' strike of 20 weeks or more).

10. In the light of these considerations it seems clear that any significant reduction of oilburn could undermine the strategy of maximum coal stocks. There is the option of delaying the start of oilburn for up to 2 weeks after the beginning of a strike. This would give a saving of up to £60 million in the event that an early settlement was reached to the strike but this seems an unlikely contingency. There might also be presentational considerations in relation to the NUM's attitude to coal deliveries which the Secretary of State for Energy is exploring further. Subject to this latter point, the most prudent course, despite the cost, would probably be to decide on maximum oilburn from the beginning of the strike.

11. Maximum oilburn from the beginning of the strike on 28 June until 1 November (the assumed critical date for a miners' strike) would cost £540 million gross (18 weeks at £30 million) and around £360 million net (allowing for normal summer oilburn). To this would need to be added the cost of oilburn during a miners' strike, should this materialise. Ministers need to consider whether this should be met from public expenditure, as the Secretary of State for Energy recommends, or by the consumer.





SECRET AND PERSONAL

12. The net costs of oilburn are very roughly equivalent to an average increase in tariffs of 5 per cent applied over a full year. But in practice the operation of the tariff system means that prices to industrial consumers would rise almost immediately; whereas the tariff for domestic consumers would not increase for some time. A decision to pass the full costs on to the consumer might also raise difficult presentational problems; the full costs would immediately become known, and the trades unions would no doubt contrast them with the costs of a settlement of their pay claim. Moreover, since coal stocks are at record levels it would be difficult to argue (in contrast with a miners' strike) that maximum oilburn was essential for the maintenance of power supplies and that the consumer could reasonably be expected to pay for it.

13. Thus, on balance, the Secretary of State for Energy is probably correct to argue that the costs should be met by the Exchequer. We think it is unlikely that the Chancellor of the Exchequer will oppose him.

(iii) BSC finances

14. As set out in the letter of 18 June from the Secretary of State for Industry's Office, the impact of a lengthy rail strike on BSC's finances is now expected to be much less than described in the Chancellor of the Exchequer's minute of 10 June. Following further contingency planning, now on the assumption of a lengthy rail strike, the BSC has concluded that it may be possible to transfer a fair proportion of its traffic to road, and where this is not the case, steps are already being taken to build up stocks in advance of a strike. BSC therefore now think that they will lose very little business during the first month of a rail strike beginning at the end of June; and that they will be able in August and September to sustain about 50 per cent of their normal operations. Thus the costs to BSC of a three month rail strike are now expected to be in the region of £100 - £150 million. But if a rail strike were to last longer than about 3 months, the impact on BSC's continuing level of operations, and therefore on their markets and their financial position, would quickly become much more serious.

HANDLING

15. You will want to invite the Secretary of State for Transport to speak to his minute of 17 June and to report the latest situation both on British Railways and





SECRET AND PERSONAL

on London Transport. I suggest that you might then focus the discussion under the following headings:

- i. the need for the BRB to develop quickly a thorough tactical plan for a lengthy strike;  
(The Chancellor of the Exchequer's minute to you of 18 June raises a number of questions about handling. Some of these, eg the possibility of sacking ASLEF members, might usefully be examined quickly by officials.)
- ii. should the Government withhold the PSO grant and support the BRB financially by the minimum necessary increases in its temporary borrowing limit?
- iii. the timing of power station oilburn, and the question of how the costs of oilburn are to be met; and
- iv. the latest assessment of the impact on BSC's finances.

CONCLUSIONS

- 16. You will want to reach conclusions on points i. to iv. above.

*PL*

P L GREGSON

18 June 1982

SECRET AND PERSONAL





Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

THE RAILWAYS

We are meeting on Monday morning to discuss the latest state of play on the railways. David Howell's minute to you of 17 June suggests that, whether led by the NUR from 27 June or ASLEF a week later, confrontation is now inevitable.

2. The Railways Board have not so far been able to provide us with a game plan, in the sense of outlining the alternative possibilities which they see for bringing a dispute with both the NUR and ASLEF to a satisfactory conclusion. I entirely endorse David's view that we need something much clearer than the woolly note by the Board he attaches. I understand that although the Board see the prospect of compromise with the NUR sooner or later, at the moment they seem to see no way out so far as ASLEF is concerned, apart from sacking all ASLEF members and offering to re-engage any who will accept the Board's terms. The insight this offers is that yet again the key to resolving the railways' problems lies in developing a successful strategy for dealing with ASLEF - which the Board has not found so far.

3. This, together with the possibility that the NUR may not be in the lead, seems to me to raise a number of questions which we should consider on Monday, in addition to those which David raises.

4. If there is a prospect of a deal with the NUR sooner or later, will this be improved in a situation in which both the NUR and ASLEF are on strike simultaneously? Could the





two unions be separated, even at this late stage and at what price in terms of a separate pay/productivity deal with NUR? Would these terms be better or worse than those which might be achieved after a strike has started when positions may have hardened? If the judgement is that they would be worse, would it be worth seeking a settlement with the NUR now?

5. One negative factor to be considered in splitting the NUR from ASLEF is the question of cost. The Board would require considerably more financial support in a situation in which only ASLEF were on strike (since services - and revenue from them - would be effectively stopped whilst the NUR and other unions had to be paid). Even more important would be to know what attitude the NUR would then take to a continuing ASLEF dispute and the sort of steps which the Board might want to take to bring it to an end. It may not be worth doing a deal with the NUR either before or after there has been a strike unless that deal includes NUR agreement to accept and co-operate with any steps the Board may take to secure continued operation of the railways.

6. As far as ASLEF is concerned, is there any alternative to the sack and re-engage strategy? What chance of success will that strategy have? One thing which seems clear is that if it is to be embarked upon some careful preparation and planning is needed, and this must now be very urgent. In the US traffic controllers' dispute, the President was able to support similar measures by putting in hand convincing alternatives. Is it possible to develop such alternatives for the railways? If urgent and immediate steps were taken, would it be possible to train a limited number of drivers (perhaps based on an NUR core) to run at least partial services, thus increasing the pressure on ASLEF to give in for the sake of their jobs? If so, which services should be given priority - key freight loads, commuters - and how many drivers would be needed to make it worth while? Priority deployment of limited resources in the way could also help





minimise some of the wider industrial problems discussed in the note attached to my minute to you of 10 June.

7. If a strategy like this is the only way of dealing successfully with ASLEF, how soon should it be put into operation? If ASLEF strike alone or remain on strike after a settlement with the NUR, would there be any reason to delay? It will be important to have public opinion in support of drastic action against ASLEF and that might be stronger after at least some days of a strike; but a long delay would risk extending the dispute into the autumn.

8. It seems to me that we can not necessarily rely on the Board to take the lead in doing any realistic thinking and planning on these points. We should put in hand some urgent work within the government, although of course in close consultation with the Board. A strike of some kind which halts the railways now seems inevitable but we cannot go into it without some view of alternative courses after the strike begins. Such a view is critical not just in relation to the railways but also in relation to planning for other industries.

(G.H)

18 June 1982

P.S. I am copying this minute to the Secretaries of State for Transport, Industry, Employment, Energy, Defence and to Sir Robert Armstrong and John Sparrow.





JFF926

PS/ Secretary of State for Industry

DEPARTMENT OF INDUSTRY  
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123 VICTORIA STREET  
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18 June 1982

Jc JV

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

Dear Michael

#### THE RAILWAYS

In your letter of 14 June, my Secretary of State was asked if he would enquire about the extent to which the industries for which he is responsible would be able to use their ingenuity in the event of a rail strike.

2 The main area of concern was the BSC. Officials now advise that the picture is rather less gloomy than we had earlier been led to expect. BSC have been doing a great deal of replanning, and in particular have concentrated on substituting road transport for rail wherever possible, and building up stocks of raw materials where there is no practicable alternative to rail transport. This process is still going on but the current assessment is set out in Annex I.

3 Very broadly, the current outlook is that BSC would lose relatively little production in the first month of a rail shutdown, partly because of planned closures over the period from mid-July to mid-August. Production might be cut back to 50 per cent of Plan levels during August, and maintained at about 50 percent during September.

4 We have not discussed the costs of a 3 month strike with BSC, but on the basis outlined above the costs might be £100 million to £150 million, and only if the strike lasted longer than 3 months would really serious disruption to BSC's business begin to occur.





SECRET AND PERSONAL

5 Annex II sets out the latest position in the other concerns for which this Department is responsible. You will see that this reveals a less gloomy picture than that contained in the Chancellor of the Exchequer's minute to the Prime Minister of 10 June, which was based on information readily available in the Department at the time.

6 I should add that this letter has not yet been seen by my Secretary of State, but it forms the basis on which he is being briefed for the Prime Minister's meeting on 21 June.

7 I am sending copies of this letter to the Private Secretaries to the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Energy, Scotland, Transport and Trade, Sir Robert Armstrong and John Sparrow (CPRS).

*Yours sincerely,*

*Jonathan Spencer*

JONATHAN SPENCER  
Private Secretary





SECRET

ANNEX I

BSC Major Works: Effect of Rail Shutdown from 2<sup>nd</sup> June

Redcar, Teeside

Expect to be able to continue production for 8 to 10 weeks, given present stock levels.

Sheffield & Rotherham

Currently operating at about 75 per cent of Plan production, due to shortage of orders. Expect to be able to maintain production at this level indefinitely, provided new arrangements to get oil supplies in by road are not disrupted.

Port Talbot

Raw material stocks good. Expect to operate at normal production for 2 weeks then cut back to about 50 per cent of full production which could be sustained for a considerable period.

Llanwern

As for Port Talbot but raw material stocks lower and 50 per cent production could probably not be maintained beyond end-August.

Scunthorpe

As for Llanwern.

Corby Tube Works

To get steel by road from Teeside. No problem expected for 8-10 weeks.

Tinplate Works

Full production for 2 weeks, then reduce to about 50 per cent production using hot rolled coil from Port Talbot and Llanwern.

Ravenscraig

Full production until 11 July, then close for 3 weeks holiday shutdown. Stock levels may then be too low to justify re-opening until strike is over.

MM Division  
16 June 1982

SECRET



SECRET AND PERSONAL

## ANNEX II

BL Enquiry of BL now reveals that, following the disruption to rail traffic earlier this year, they have set up detailed contingency arrangements to deal with a complete and prolonged rail strike. These contingency arrangements cover all current rail use, including steel supplies and delivery of finished cars to Europe. BL therefore estimate that a rail strike of one to three months would have minimal or no effect on them, unless sympathetic action were taken (eg unions refusing to allow road traffic to be loaded). It has not been possible to estimate the cost of the alternative arrangements.

POST OFFICE The Post Office has already made extensive contingency plans for keeping the mails moving. However, the extent to which it could contain costs and continue to provide an alternative service will depend on the degree to which the Post Office unions cooperate in using alternative means of transport for the 70% of mail normally carried by rail.

With union cooperation (which cannot be guaranteed, but was forthcoming in the ASLEF dispute and which the Chairman is optimistic about securing this time round) the Post Office could probably contain the effects of a one month stoppage by using alternative means of transport though there would be some deterioration in quality of service for first class mail. Over a three month period the cost of providing an alternative mode of transport might be some £20m even allowing for possible compensation from British Rail under the terms of the mail contract; and service quality could deteriorate more seriously for first class mail.

Were the Post Office not able to send mail currently sent by rail by other means, the total cost of the strike could be much higher, perhaps as much as £100m over a three month period. However, this would depend on the extent to which the Post Office could cut its wages costs by sending home those who declined to cooperate in finding alternative means of transporting mail.

It is difficult to see how the above costs could be alleviated to any substantial degree, since in the case of union cooperation they would arise from the use of alternative means of transport, and in the case of non-cooperation revenue would drop considerably as a result of no service for the 70% normally transported by rail.



BRITISH SHIPBUILDERS On the very worst assumption, that alternative steel supplies are not obtained and BS activity ceased, the costs could be about £50m per month (the phrase in the Chancellor's minute of 10 June "would not be less than" is too firm and pessimistic).

It is also worth noting that BS calculated the cash effect of the three month Steel Strike in 1980 to be £21m. A direct comparison between 1980 and 1982 cannot be drawn because the BS's 1980 considerable underutilisation of capacity has now been corrected and a disruption to supplies might now have a more pronounced effect.

As for action to alleviate the consequences, this is being considered by BS but it is not yet clear to what extent they will be able to mitigate the worst effect of a prolonged strike.

Department of Industry  
Ashdown House  
123 Victoria Street

18 June 1982



2061 NUT 8 JUN 1982





*mu*  
*2/6*

Brief for Supply day debate on Monday 21st June 1982 on the crisis in British Rail.

Contents

1. Strike Threat
2. The need for better productivity
3. Progress on productivity
4. The 1981 productivity understandings
5. Government commitment to the railways.
6. Attitude of other parties

Appendices

1. The 1981 productivity understandings.
2. Sir Peter Parker's letter to BR employees
3. The findings of the McCarthy tribunal

Conservative Research Department,  
32, Smith Square,  
LONDON SW1

KM/AL  
17/6/82



## THE CRISIS IN BRITISH RAIL

● It is very important during this debate to direct attention firmly towards the failure of both NUR and ASLEF to honour the productivity agreements made last year - for which they have already been paid.

### 1. Strike Threat

The National Union of Railwaymen has called for an indefinite strike by its members from midnight on Sunday 27th June. The NUR says the strike will go ahead unless the BR Board increases the pay offer it made to the three rail unions on 28th May.

The offer is to increase pay by 5% from 6th September 1982, provided negotiations on the six items contained in the 1981 productivity agreements are completed by 30th July 1982.

In making the offer, BR has stressed that its serious financial position, made worse by the ASLEF strikes in January and February this year (the strike alone is thought to have cost BR about £100 m in lost revenues. BR expects to make a loss of about £165 m this year) meant that pay could not be increased from 19th April. It also announced that the 5% might be withdrawn if BR was unable to maintain a full and continuous service to its customers.

Sir Peter Parker has written to all employees emphasising that a damaging strike could put jobs and the future at risk (see copy in Appendix 2).

### 2. The need for better productivity

The need for modern working practices and better productivity is vital to the future of the Railway industry. At a time when technological developments have created a potential for a fast and efficient railway system and the taxpayer is committing substantial sums to the railways for investment and revenue support, it is absurd to expect that working practices should continue to be based on 1919 agreements designed for the technology and the market of the steam age.

For the longterm viability of the railways, it is essential that the railway keeps its customers and wins more. British Rail does not have a monopoly of transport. Sir Peter Parker, in his letter to all employees, pointed out that during the ASLEF strikes, "many of our customers found they could do without our services". So to succeed, BR must become highly efficient, it must put the customers needs first, and it must be competitive against other forms of travel.

### 3. Progress on Productivity

At a time when workers in many other nationalised industries have improved productivity substantially, British Rail's productivity record has been disappointing. In an article in the Financial Times on 12th February 1982, Mr. John Elliott, the Paper's industrial editor pointed out that between 1974 and 1980, improvements in output per man had averaged less than one per cent per year, even though there had recently been important modernisations of marshalling yards, the parcels business and freight trains. In 1981, the latest year for which there are figures, passenger miles and net tonne miles per member of staff employed had improved by only 2.3% over 1980; as a



contrast, between March 1980 and March 1981, productivity in British Steel improved by 24% and in 1981, productivity in the car production side of British Leyland increased by 30%.

BR Productivity Indicators (from BR Annual Report 1981)

	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Passenger Miles/Net Tonne miles per member of staff employed	141.0	138.3	137.2	140.9	144.7	147.8	142.9	146.2
Loaded train miles per train crew member	6230	6419	6514	6602	6647	6536	6700	6914
Train Kms. (loaded and empty) per member of staff employed			2395	2472	2525	2556	2503	

4. The 1981 Productivity Understanding

With the need for improvements in productivity becoming more urgent, in the summer of 1981, British Rail obtained from all the rail unions an 'Understanding on Productivity' in return for an agreement to pay an extra 3% from January 1982 (on top of an award of 8%) as recommended by the Railway Staffs' National Tribunal under Lord McCarthy.

The understanding on Productivity contained six points. Despite firm dates set for agreement, so far very little has been achieved. (See Annex 1 for details).

The most contentious issues have been:

a. Flexible rostering

Flexible rostering led ASLEF to take industrial action earlier this year over British Rail's refusal at the time to pay 3% to them because of non-delivery. Lord McCarthy on 7th May produced a report which found in favour of British Rail's proposals, subject to a number of criteria and safeguards designed to meet ASLEF's main objections to the system. The firm recommendation was that ASLEF should accept for their drivers a system of rostering similar to that already agreed by the NUR guards, which allowed rosters to vary in length between 7 and 9 hours. ASLEF has totally rejected these recommendations despite a previous commitment to abide by the findings of the tribunal. As Lord McCarthy himself said in relation to flexible rostering "Unless progress is made on this question, the future outlook for the railway system and railwaymen is bleak and unpromising".

(N.B. It should be noted that 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 greater than those proposed by British Rail).

b. Single Manning

No agreement has been reached with the NUR on the introduction of the new driver only commuter trains on the recently electrified



Bedford to St. Pancras line on which £150 m has been invested. As a result the rolling stock lies unused. This service should have been started this month but has now been deferred until October. Obviously this particular dispute has implications wider than St. Pancras to Bedford if more of the network is to be electrified.

The Government's Position: The Government's position on all these issues is that it supports the Board in its efforts to achieve better productivity and to achieve delivery on the productivity understandings for which the 3% has already been paid. The Railways Board has made it clear that improvements are crucial to its plans for the future of the railways.

5. Government Commitment to the Railways

The Government and the taxpayer have made a substantial commitment to the future of the railways by

- Providing record levels of financial support. In 1982-3 Central Government will be providing British Rail with £804 m in grants - well over £2 m a day. (This is some £100 m more in real terms than the level of grant paid in 1980-81. It is about £10 m less in real terms than in 1981-2, but in that year an exceptional increase in grant of over £110m was made to cover a serious loss in revenue caused by the recession).

The External Finance Limit this year is £950 m. The public has every right to expect that their railway system should be run as cost effectively as possible. The Government has made it clear that they will not allow the cost of the ASLEF strikes to be passed back to the taxpayer.

<u>Government support to the railways.</u>		Current Prices £ m
	<u>EFL</u>	<u>Grant</u>
1979-80	715	530
1980-81	790	633
1981-82	920	755
1982-83	950	804

- Ruling out substantial cuts in the passenger network-
- Endorsing the principle of a programme of main line electrification based on better business performance and improved productivity - (On 22nd December 1981, the Secretary of State for transport approved plans for electrifying services into Ipswich, Norwich and Harwich).
- Avoiding any reduction on the ceiling on investment in BR, which now stands at around £400 m at 1981 prices. (Over the last few years the investment ceiling has been underspent (In 1981 by £90 m) because within the External Finance Limit, British Rail have been spending on current costs what should have been spent on investment. A reduction in current costs through greater efficiency will lead to more resources for investment and renewal).
- Setting up an independent committee to look at BR's finances and its finance and investment needs in the future.

6. Attitude of other parties

The Labour Party has continued to be totally unhelpful in the course of



disputes over productivity. The issue of productivity is seldom if ever admitted to be a problem by Labour spokesmen. During the January/February ASLEF strikes, all Mr. Albert Booth could find to say was that ASLEF was "properly contending that a major nationalised industry had failed to carry out its obligations" (Hansard 10th February 1982 col 965). The Labour NEC passed a resolution supporting Aslef and blaming the whole dispute on the BR Board. It called for the Board to honour its agreement on pay which, they claimed had been "specific and unconditional". Mr. Bob Hughes, during transport questions on the 16th June 1982 claimed that "The railway unions have delivered massively on manning levels and productivity, ignoring the fact that the unions have delivered on very few of the 1981 productivity understandings.

The Social Democrats have been quiet on the issue recently, although, during the ASLEF strikes in January and February, Mr William Rodgers argued that "no sane government will invest in electrification and renewal if a handful of men and a bloody minded union break agreements and exploit their bargaining power (F.T.1/2/82)



Productivity Items

The normal negotiating machinery within British Rail contains three stages, starting with the Railway Staff Joint Council (RSJC) which meets in four separate groups dealing with salaried staff, locomotive staff, other conciliation grades, and general miscellaneous matters. Issues which cannot be agreed within RSJC go to the Railway Staff National Council (RSNC) which is the top negotiating body. Failure to agree at this stage can lead to reference to the Railway Staff National Tribunal (RSNT), chaired by Lord McCarthy. Reference to this body can be made by either party unilaterally, in which case the findings are non-binding, or jointly when the findings can be binding on both parties.

As a result of the 1981 pay settlement and subsequent ACAS Inquiry, the rail unions agreed to six items of productivity for which BR paid an additional 3% on pay.

The actions expected of the unions, and the progress made on the six productivity measures are *set out* below:

ITEM	PRECISE TERMS OF AGREEMENT	PROGRESS MADE
<p><u>Open station concept</u> - on-train ticket examination and sales. Reduced number of staff on ticket barriers but slight increase of staffing on trains.</p>	<p>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.</p>	<p>Pilot schemes in Scotland and South West agreed in Railway Staff Joint Council (RSJC) in October and November 1981, schemes started on November 1981 and January 1982 to run for 6 and 9 months.</p>



Manning of passenger trains - single-manning (ie drivers only) operation of new rolling-stock on intensive commuter services (eg Bedford/St Pancras).

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 re-think 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.

Bedford/St Pancras service due to begin on 17 May 1982. Opposition of NUR to single manning delayed introduction. Service now expected to start by October 1982. Negotiations still at RSJC stage.

Flexible rostering - to allow turns between 7-9 hours (instead of 8 hour day) leading to more effective use of paid time by drivers and guards.

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.

NUR and TSSA agreed to new arrangements. 81% of NUR depots have agreed to new rosters and 75% have implemented them. ASLEF have consistently refused to accept flexible rostering and negotiations broke down at RSJC and Railway Staff National Council. ASLEF strikes over

flexible rostering ended with ACAS Committee of Inquiry in February. The issue went to (non-binding) arbitration at RSNT in March. ASLEF rejected the findings on 21 May.

Easement of conditions of single-manning on traction units - to permit increases in single-manned driving times and to reduce to occasions when double-manning is called for.

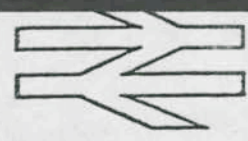
Negotiations shall take place on the proposals relating to single-manning conditions, on the understanding that provisions will have to be made for appropriate safety measures and that there should be no worsening of staff conditions. These discussions shall be concluded by 31 October 1981.

Negotiations still in RSJC; no progress so far. Delayed by flexible rostering dispute.



<p><u>Manning of freight trains</u> - to permit greater frequency of single-manning.</p>	<p>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.</p>	<p>Negotiations still in RSJC. Board met NUR on 12 May to discuss a pilot scheme in South Wales. No start date yet; delayed by flexible rostering dispute.</p>
<p><u>Trainman concept</u> - establishment of new "trainman" grade with option to progress to driver, guard or other appropriate grade.</p>	<p>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.</p>	<p>NUR discussed with ASLEF on 9 November then passed paper to ASLEF for consideration. The Board have no direct role initially; agreement between NUR and ASLEF is a prerequisite. Implementation could be speedy once unions agree. NUR believed willing to accommodate ASLEF views which relate to union membership.</p>





Sir Peter Parker MVO  
Chairman

June 1982

Dear Member of Staff,

**YOUR JOB AND YOUR FUTURE AT RISK**

I am taking the unusual step of writing direct to you and to everyone employed by British Railways Board, because the industry in which we all work is facing the most dangerous crisis in its history.

We are going to lose about £165m in 1982, even after the government and local authorities have paid us over £800m. The latest estimate of the cost of the 17 days of ASLEF strikes is £80m. We can't afford to borrow the money we need to renew and repair the railway, and this is limiting the service we give the customers who are our bread and butter.

We are in deep trouble. You could say we're broke. This time the threat to jobs will affect you all. I want you to think seriously before you are drawn into industrial action and into a fight which nobody can win.

The real fight now is not between ourselves or with government. It's for survival. Last January and February many of our customers found they could do without our services.

This is the background against which the Board, on 28 May, made the following offer: to increase rates of pay by 5% from 6 September, provided that negotiations on all the six items in the 1981 productivity agreement have been completed by 30 July 1982. If agreement on the productivity items is not reached by 30 July 1982, the pay offer will be withdrawn.

No one who has examined our proposals for flexible rostering objectively has been able to fault them. Lord McCarthy and the Railway Staff National Tribunal supported our plans. They also proposed safeguards—safeguards which the Board, as a responsible employer, has already accepted in drawing up flexible rosters for guards. In addition to a 39 hour week, guards on flexible rostering will now receive a flat rate payment of 50p per rostered turn worked.

We cannot delay any longer moving to flexible rosters for drivers, nor can we delay on the other outstanding issues still to be resolved—covering train manning agreements, including the new electric trains for the Bedford/St. Pancras services.



If you have already co-operated in productivity measures affecting your particular job, the delay on your 1982 pay increase must seem unfair. But without the co-operation of everybody, we cannot afford to give the recognition due to you for your efforts.

Perhaps you feel that you have been through a crisis like this before— and it will all be all right in the end. But we can expect no help, whatever government is in power, unless we accept that we must change the way we do things. All around us, in other industries, some with long and honourable traditions of service like ours, people are facing up to the need for change and getting rid of restrictive practices. We will get no sympathy if we continue to resist change until it is forced on us, more painfully.

So what happens if your union calls you out on strike, or orders some form of industrial action which wrecks the railway? The answer, I am afraid, is no pay increase, no job to come back to for many, no prospect of investment in electrification.

What can you do to help yourself in this crisis? You can speak up; let those who represent you and negotiate on your behalf know that you want this industry to survive. If we fight the competition instead of each other, we can still save many of the jobs that are already at risk.

Yours sincerely  
Peter Parker

Peter Parker



THE RAILWAY TRIBUNAL VERDICT ON  
FLEXIBLE ROSTERING

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The decision of the Railway Staff National Tribunal after examining the Board's proposals for the introduction of flexible rosters for footplate staff was a vindication of BR's often-stated position that the understanding on productivity reached in August 1981 is intended to lead to a form of flexible rostering which does not add significantly to unit labour costs, but ultimately reduces them, without unreasonable variation in the length of the working day or week.

In essence, the Tribunal ruled that the Board's proposals meet this test, whilst the ASLEF alternative of achieving flexibility without changing existing agreements does not, since it would increase costs.

The Tribunal recommended that the parties agree a system of flexible rostering for footplate staff subject to a range of safeguards covering such matters as hours of work and overtime earnings, which largely reflect facts and assurances given by the Board. Flexible rosters will be a matter for local negotiation in accordance with existing procedures, and provision is made for a review after six months, as in the agreement made for guards.

The Tribunal also recommended modification of existing national agreements on the guaranteed 8 hour day, and on double-manning of locomotives, to allow single-manning for turns up to 9 hours.

Flexible rostering and the shorter working week are inter-related, and in the absence of agreement on flexible rosters, the shorter working week remains outstanding.

The position now is that ASLEF drivers are putting in 40 hours a week to earn the same basic pay earned by other railwaymen for a 39 hour week (37 hours in the case of clerical staff), whilst flexible rosters offer a 39 hour week and specific rewards to be negotiated for staff whose responsibilities are directly affected under productivity agreements.

The critical importance to the railway of making better use of working hours is stressed by the Tribunal in commenting that: "failure to agree any proposal for more flexible rostering 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".

The Tribunal comments finally: "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".



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U/O

Prime Minister

(2) 27A

Prime Minister

For Monday's meeting.

MUS 17/6

THE RAILWAYS

Today's meetings between the Railways Board and their Unions broke up without progress. The position is that the NUR have given notice to strike at midnight on 27 June. This position could change. Forces are emerging in the NUR which would prefer ASLEF to take the lead in industrial dispute with the Board a week later on flexible rostering.

This means that confrontation, one way or the other, is inevitable. This will inconvenience millions of people both going to work and going for their holidays and will inflict large damage on the railway and its future. The Board cannot draw back without wholly sacrificing their credibility, and incurring the high cost of accepting a union veto on improvements in efficiency on the railways. Once the strike starts the Board's judgement is that it could well last up to three months. But we should not assume that the rail unions will not be under considerable pressure, from their members and from elsewhere, to reach a settlement and our best prospect is for the Board and us to stand very firm indeed.

The Official Committee on Rail Policy has further reviewed several aspects of the strike. I attach at:

Annex A a somewhat woolly paper by the Board on their objectives in the strike and possible exit routes at the end;

Annex B a paper by officials on the financial and legal implications for BRB of a rail strike;

SECRET



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Annex C a note by the Board on the legal implications of imposing flexible rostering against the wishes of ASLEF members.

At Monday's meeting we will need to reach conclusions on several key points.

Are BR's Objectives in the Strike and Possible Exit Routes Acceptable?

The BR strategies still need firming up. Delivery on productivity undertakings is at the heart of the dispute, and the room for fudge is limited. So this is not like a strike simply over pay, where the end result is a settlement on a figure. For this strike the end result has to be that the unions are brought to the negotiating table and settle new agreements. That is obviously more difficult and takes more time. Once the strike starts, and it is clear which unions are on strike and on which issues, we shall need more clarity from the Board on their objectives than they have so far provided. Meanwhile my colleagues will note that, so far as they can, the Board envisage less stringent settlement terms for NUR than for ASLEF.

Would a Prolonged LT Strike Make it Harder to Win a BR Strike?

Traffic conditions in London would certainly be considerably worse if a continuous Underground strike coincided with one on BR. The public's willingness to accept them would also be a good deal less. We do not have the experience to tell how bad things would be. But we should not let this possibility deflect us. The risk of a prolonged strike on LT is low. I understand that Mr Livingstone and the GLC have now taken their familiar attitude to use ratepayers money to concede Union demands on LT. This cannot be welcome in itself, but much reduces any prospect of paralysing the capital.

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Do BR Really Have to Pay all those Employees in Unions not on Strike?

This is one of the issues in Annex B. All ASLEF and NUR members have, as part of their contract of employment, the guarantee dating from 1920, that they will be paid for five days a week even if there is not work for them to do. After further consideration with their lawyers the Board can see no legal way to avoid this obligation. They recognise that in some circumstances (e.g. if NUR strike but ASLEF do not) they will have no choice but to send home without pay ASLEF men who were not on strike, and then do their best to defend whatever legal proceedings might be brought against them. But unless the Attorney General can point to a way through, I think we must conclude that these are matters on which we must leave the decisions to the Board.

If there is a total and continuing strike, do we continue to pay the social (PSO) Grant to the Railway of some £15m. a week?

The answer is clearly "No". We shall make that clear to the Board. We could not possibly defend continuing to pay this large grant when no services are being provided.

Could we then let BR go bankrupt?

If we do not pay the PSO Grant, and NUR and ASLEF are on strike but the TSSA are not, then the Board's cash position will deteriorate at £17m a week, and they will have run out of cash within about 6 or 7 weeks. It could still come about that only ASLEF are on strike. The net cash drain would then be £30m. a week. BR will have to do everything they can by short term cash management, and realisations of assets to cope with this. But at the end we could not leave a nationalised industry unable to pay its creditors, e.g. its private sector suppliers or its electricity bills or its rates, without both compromising the position of the members of the Board and undermining the creditworthiness of other nationalised industries.

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How Then Do we Finance the Continuation of a Strike?

The right way is to allow increases in the Board's temporary borrowing from the banks, enough to pay essential bills only, and with strict review of their steps to minimise their cash needs. This would not be extra money from the taxpayer. They will borrow it, with our guarantee, and will have to pay it back. The borrowing would be short-term and there would be no commitment to change the EFL.

Do We Need to Take Further Action Beyond That Already in Hand?

Emergency car parks in London will be opened, as during the previous ASLEF strikes, and my Department and the Metropolitan Police will keep under review the need for further measures, for example suspension of parking meters. We will have a major publicity campaign to encourage car sharing and staggered hours and discourage unnecessary journeys. All of us should aim to ensure both before and during the strike that the issue is kept firmly in the public mind. This is the delivery of productivity before extra pay or extra investment.

We shall need regular reporting on the effect of the strike on travel conditions and London traffic, on the effects on industry, and on the electricity position.

An NUR strike will affect some Sealink services, particularly to the Isle of Wight and possibly to Northern Ireland and the Channel Islands. We shall also need regular reports on that.

But so far as the handling of the dispute goes, we should now leave the Board to get on with it.

I am sending copies of this to those who received my minute of 16 June as well as the Attorney General.

DA

DAVID HOWELL  
17 June 1982



## S E C R E T

## RAILWAY STRIKE: PAPER BY BRITISH RAILWAYS BOARD

The Objectives of the Railways Board

1. Last year, the Unions obtained a three per cent increase in return for undertakings on productivity. The Board's objective is therefore to secure that undertakings of that kind are performed as a precedent to any pay improvement in 1982, additionally that the pay settlement reflects the critical financial position of the industry.
2. As a minimum, this must mean:
  - (i) flexible rostering for drivers is completed within the limits<sup>set</sup> by the RSNT; this concerns only ASLE&F.
  - (ii) arrangements must be made for trial schemes for operation of freight trains without Guards and provided these are successful, general application to follow. This concerns the NUR who would lose the grade of Guard and ASLE&F who have yet to indicate the level of additional pay for the greater responsibility.
  - (iii) a new agreement must be made to extend the single manning of traction units; this concerns mainly the ASLE&F but NUR also involved.
  - (iv) driver only operation of certain passenger trains (eg the St Pancras-Bedford service). Since the undertakings of last year did not commit the Union to make a new agreement on this point, this issue could go to the RSNT under a strict timetable; this concerns mainly NUR but also ASLE&F.
  - (v) trainman concept. There must be agreement between NUR and ASLE&F, which will allow negotiation of a new agreement with the Board, subject to clear commitments and timetable for the results.
3. In accordance with last year's undertakings, the Board would be willing to share the savings from productivity by negotiating specific additions to pay for those whose responsibility were directly affected by these changes.
4. The pay offer made on 28 May will be withdrawn in the event of a strike but could be reintroduced if satisfactory agreements were reached quickly.
5. If however the strike drags on with major damage to the prospects of the industry, then in the Board's view the terms of a settlement would have to change. They might seek from the Unions commitment to negotiate a wider range of changes to reflect the new situation from among those already put to the Unions for discussion on part of long term objectives, and may require new contracts of employment modifying the guaranteed week/day agreement and possibly a new procedure agreement.



S E C R E T

6. Thus the Board's objective is to secure changes of a dimension related to the damage suffered during the strike, and to come out of the strike in a position where it can clearly be seen that undertakings on productivity have to be performed, that management must be able to introduce changes without unreasonable obstruction, and that the Unions cannot gain through strikes.

7. It is implicit that the settlement of a strike must be preceded by some extensive and detailed negotiation, and that the Executives of both the NUR and the ASLE&F must therefore accept the need to come to the negotiating table with a willingness to negotiate. This change in attitude must depend on the pressures on the Executives from the workforce and from outside.

17 June



FINANCIAL AND LEGAL IMPLICATIONS FOR THE BRITISH RAILWAYS BOARD  
OF RAILWAY STRIKES

REPORT BY THE OFFICIAL COMMITTEE ON RAILWAY POLICY

1. This is a report by a group of officials from the Departments of Transport and Employment, Treasury, No 10 Policy Unit and CPRS.
2. Officials have reviewed advice now received from the Railways Board on certain legal consequences for the British Railways Board which may arise from a railway strike by one or more than one of the railway unions; and have examined matters Ministers may need to decide on BR finances.
3. The table below shows, for all out strikes by all the rail unions, by NUR and ASLEF, and by ASLEF or NUR alone, the estimated effect on the Board's cash requirements, and estimates how long the Board could survive before either the Government would have to ensure they had additional funds or the Board might be unable to meet their liabilities. The figures assume that the normal grant (£15.5m per week) has been suspended (this is discussed in paragraph 4) and that the Board is therefore dependent on borrowing or realisations. The estimates do not take account of possible cash management actions by the Board, for example deferral of payments to the Inland Revenue, which would extend the period before the crisis was reached.

Effect of four forms of railways strike

	Net cash drain per week on BRB	Approximate period Board could survive without breach of borrowing limit
ALL UNIONS STRIKE	£4m	25 weeks
NUR AND ASLEF STRIKE: TSSA, AUEW, BTOG PAID BASIC RATE	£17m	6 weeks
ASLEF STRIKE: NUR, TSSA, AUEW, BTOG PAID	£30m	3 weeks
NUR STRIKE: ASLEF, TSSA, AUEW, BTOG PAID	£18m	5 weeks



4. The effect on the External Financial Limit (EFL) of the 4 forms of strike is considerably less than on the cash requirements, because withdrawal of the grant does not affect the EFL. The Board can replace the grant with borrowing. Thus the weekly effect in EFL terms of what now seems the more likely scenario of NUR and ASLEF on strike, is a worsenment of some £1m per week. If all unions strike, the EFL position is improved by some £11m per week. So far as the EFL position is concerned during a strike, the Board would have 6 months of the fiscal year remaining to take remedial action.

Payment of PSO grant

5. Implicit in these calculations is the view that the Government should not pay PSO grant to the Board if railway services are completely suspended; and that the grants by PTEs of some £1.5m per week would also be suspended. The grant by Central Government to the Board is paid under EEC Regulations, for the operation of the entire passenger system. The Department of Transport has taken the view that occasional industrial disputes, including the ASLEF 3 day a week strikes, do not affect the obligation to pay grant, since they represent merely temporary interruptions in the operation of the railway.

6. It would, however, be difficult to justify a payment of grant, some £15.5m weekly, if the entire system were closed for a number of weeks. Although the legal position is not clear, legal advice is that it is unlikely in these circumstances that the courts would rule that BRB were entitled to payment. The Secretary of State for Transport would however be legally justified in making payments provided they did not exceed the total amount of grant due to the Board for the year; though to protect his position he might need to announce to Parliament a decision to continue grant payments.

7. The Secretary of State might find it difficult to justify payment of such substantial sums of money without any corresponding benefit, and the best course would seem to be to suspend grant if the railway closes down for more than a few days. There are also presentational considerations of some importance. If it were decided to continue to pay grant, it might appear that the Government were firm in their resolve to support the Board in an extended strike. To withdraw grant, thus making it clear to the Board, the workforce, to Parliament and to the public at large that the money to meet the cost of the strike would have to be borrowed and therefore repaid, should demonstrate the



Government's determination to support the Board's position that they cannot afford to increase pay without gains in productivity.

Financial effects

8. The Board's temporary borrowing limit was raised to £150m in February to accommodate the financial effects of the ASLEF 3 day a week strikes. By the beginning of July the Board should have repaid £100m of the £150m which was borrowed, and this is the amount which will be available to them, without further action by the Government, to meet the costs of the strike.

9. The most financially damaging industrial action now in prospect, an all out strike by NUR alone, would close the railway but leave BRB with the cost of basic pay for staff not on strike. Current estimates suggest that this form of strike would cost BRB £18m a week, so that they could survive only 5 weeks without further funding.

10. If this circumstance were to arise and Ministers were then to decide that the Board should be funded, the simplest means of providing them with the cash necessary to pay their way would be to increase their temporary borrowing limit and if necessary provide a Government guarantee to the lenders. Since the Board would, faced with a strike of some weeks, be virtually insolvent, it could be argued that it would be improper for the Government to allow it to borrow any further; and if Ministers took that view then there would be no option but to declare the Board bankrupt and to make cash flow deficiency grants to them, as was done in 1972/74, and take legislative cover for these grants at the earliest opportunity. But to pay cash flow deficit grant would engage Ministerial responsibility much more directly in the conduct of the business. However, it is also open to Ministers to take the opposite view that the Board can be allowed to continue to borrow and to do this on the basis that the current Butler and Serpell reviews are expected to find ways in which the Board can improve their operations, return to viability and thus finance the loans they have drawn during this critical time. On this course the appropriate way to finance the Board during a strike is by permitting temporary borrowing.

11. A decision to permit additional temporary borrowing would not imply a corresponding, or indeed any, increase in the EFL. The Board would be expected to repay the additional money borrowed over a reasonable period once normal operation had resumed, drawing on their normal sources, mainly internally guaranteed cash (after grant) and asset sales.



12. But, before agreeing to make further temporary funds available, Ministers will wish to consider whether any increase in financing for the Board over short term can be avoided eg by asset sales, or by laying off staff. These questions are now considered.

Possible asset sales

13. The 1982/83 EFL assumed property sales in the year of at least £40m, and sales currently appear to be running at that rate. The Board are already being strongly pressed to improve on this. To bring in extra cash during a strike, sales would need to be already in the pipeline, and it seems unlikely that a great acceleration of receipts could in fact be achieved. What the Board could do in a strike, would be to put much more management effort into settling all the details of property which is to be sold over the next 2 years, so that more of this could be ready for sale in 1982/83.

14. The Board are now preparing documents to offer the entire hotel chain for sale by tender in the autumn. The hotels' staff are in NUR, and it seems that on present plans the NUR do not propose to call them out on strike. An effort to sell the hotels during the rail strike might well change that, with consequent damage to sale prospects.

15. The steps necessary to make Sealink a completely separate business in advance of sale - essentially the separation of its financial management from that of the Board, the settlement of title to certain parcels of land and the completion of arms length contracts between Sealink and the Board - will not be complete before January 1983, which is therefore the earliest date on which Sealink could be sold.

16. There may be possibilities of accelerating sales of scrap, though the market is weak. All these matters could be put under tight scrutiny as part of regulating temporary borrowing, but it seems very unlikely that the Board could succeed in remaining solvent if they had to rely solely on sale proceeds.

The Board's liability to pay employees not on strike

17. The 1919 guaranteed week agreement between the Board's predecessors and the unions, which does not apply to salaried staff, provides that each employee who is available for work throughout the week shall be entitled to guaranteed standard wages (exclusive of overtime) for eight hours a day and 40 hours a week.

18. In the event of an NUR strike, the legal position in relation to other staff not on strike is:-



a. members of ASLEF cannot be laid off by the Board, even if they have no work to do, without breaching the 1919 agreement. Any staff who were laid off would thus probably be able to recover guaranteed payments through the courts. With the prospect of lay-offs in view it would be open to the Board either:-

i. to consider redundancies immediately;

ii. to attempt a negotiation to suspend or temporarily modify the guaranteed working week with ASLEF, who would certainly refuse to co-operate. The Board's view is that taking this action could be seen in any later court cases resulting from subsequent lay-offs as constituting a reasonable approach, and thus strengthening their defence. The existing agreement allows for such an attempt;

b. administrative staff, who are members of TSSA, enjoy a contract of employment which effectively prevents the Board from laying them off. If this contract should be breached, TSSA staff could recover their normal pay through the courts.

19. It seems very improbable that the Board could avoid any of these obligations. It does not follow that they have to meet them forthwith. The unions might seek injunction requiring the Board to perform their agreements. The Board might defend this - nobody knows with what prospects of success - on the grounds that they had no money.

20. The question is therefore whether Ministers could take action as described above to put the Board in the position where they could not pay wages or their creditors.

Government guarantees

21. The policy of successive Governments, which was repeated by Ministers in the Department of Transport during consideration of the 1980 Transport Bill, in relation to pension obligations, is that the Government stands behind nationalised industries and will not allow them to default on payments to their creditors, who include their employees.

22. If the Government forced the Board into the position in which default was imminent, the Chairman and the members of the Board would



have to resign unless they had sufficient assurance from Government that they were relieved of their statutory duty and any associated personal liability. They might, of course, resign in any case.

23. The legal position following the resignation of the Board members or the lifting of their statutory duty is not clear, save that it would not be possible to bring in a receiver or to put the Board into liquidation. It appears to officials unlikely that the Government would be able to avoid putting the Board in a position to meet its obligations, or that the Board would be able to avoid the obligation to pay basic wages and salaries of employees not on strike. However, the Secretary of State for Transport is asking the Law Officers to consider the legal implications of withholding the PSO compensation and of refusing to consent to the Board borrowing to meet liabilities.

24. If it proved possible for Ministers to deprive the Board of funds by withholding grant and refusing to allow further borrowing to the extent that they would not be able to pay wages (except to essential staff) or creditors, and Ministers decided to follow this course, then there would be consequential effects on the credit worthiness of other nationalised industries.

25. If this course is not possible, then officials suggest that Ministers should:-

a. decide to suspend the grant in a total strike lasting more than a few days;

b. inform the Board that they will allow additional temporary borrowing, to the extent needed to meet unavoidable expenditure. This increase in temporary borrowing would carry no commitment to change the EFL.

26. As to handling and presentation the Board might represent that a decision to withhold grant would leave them no choice but to lay off men in contravention of contracts of employment. It would need to be made clear to the Board whether (a) Ministers were assuming that they would lay off men in that way or whether on the contrary (b) Ministers were ready to allow temporary borrowing to cover salaries and wages of staff not on strike assuming the Board decide not to lay them off.



## LEGAL IMPLICATIONS OF IMPOSING FLEXIBLE ROSTERS

paper by British Rail Board

1. The British Railways Board have considered the legal implication of imposing flexible rosters on drivers and report as follows.
2. The 1919 guaranteed week agreement provides for each wage-paid employee who is available for work throughout the week to be guaranteed standard wages for 8 hours a day, 40 hours a week - ie a guaranteed 5-day week. This agreement forms part of the employees' contract of employment which cannot be altered without the consent of the employee or his union. The overall agreement was originally negotiated in 1919 by the rail unions and the Railway Executive Committee acting on behalf of the Government.
3. The Board have been advised that imposition of flexible rostering contrary to the agreement "could be deemed to be unlawful and constitute a breach of the contract of employment"; and if such action were found to be unlawful then employees who were sent home without pay for refusing to work the new rosters would be able to sue for their wages. If employees were dismissed in these circumstances, the Board could be sued for compensation for unfair dismissal (where due notice to dismiss is given) or wrongful and unfair dismissal (where no notice is given). In both cases employees could also claim reinstatement; if the Board refused to comply with an order for reinstatement then the compensation awarded would be increased.
4. The Board have considered this advice. They judge that ASLEF would not wish to encourage or support members' attempts to seek redress through the courts, because to do so would raise the pressure for amending legislation which would not be in the trade union movement's wider interest. It is worth noting that ASLEF has consistently threatened strike action rather than legal action if the Board attempt to impose flexible rosters.
5. If ASLEF members did bring the cases to the court the Board believe that they would have substantial arguments for defending their action, in that they have acted reasonably in following the original ASLEF undertaking through all the procedures up to the McCarthy Tribunal; and flexible rosters can be demonstrated to be beneficial to the employees.



CJV Prime Minister (2) 27

for Monday's meeting.

MU 17/6

01 211 6402

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
London  
SW1

17 June 1982

THE RAILWAYS

Your minute of 10 June to the Prime Minister referred to the potentially high costs to Government finances of a long rail dispute. You drew attention to the contribution of maximum oil burn in power stations and asked for an assessment of the effects of lower levels of burn or a later start.

The Note circulated on 11 June by the Chairman of the Official Group on Coal (MISC 57) shows the level of coal stocks at 1 November in relation to the duration of a rail strike and the degree of co-operation obtained from the miners. On the assumption of maximum oil burn, full co-operation from the NUM in increasing deliveries of coal by road would be needed if we are to see out a 12 week rail dispute and recover to 24 million tonnes of CEGB coal stocks by 1 November (the level which, with supporting measures, would give about 20 weeks' endurance or better in the event of a miners' strike). Less than full co-operation from the NUM would result in stocks significantly below 24 mt following a 12 week strike, even with maximum oil burn.

If we wish both to have maximum physical stocks of coal at power stations on 1 November and to face out a rail strike of as long as 12 weeks, then maximum oil burn from the start will be necessary. Conversely, a decision in favour of less than maximum oil burn would mean that we would have less than maximum physical coal stocks at power stations by November in the event of a long railway dispute.

Apart from the question of cost, there may be tactical and presentational considerations which would point to delaying oil burn until a little into a rail strike. One factor is the attitude of the CEGB. I shall be seeing the Deputy Chairman very shortly but I understand that the Board's likely view is that, with the present high level of coal stocks, they would not of their own free will contemplate starting oil burn until quite a long way into a rail strike. There is also the question of whether early oil burn



would provoke the NUM and lead to a greater degree of non-cooperation than we might otherwise expect during an all-out rail strike. I am exploring this further with the NCB. At the time of writing, I am not convinced that either of these considerations outweigh the very strong case for maximising oil burn from the start.

An important question is who pays for any extra oil burned - the electricity consumer or the taxpayer. Extra costs passed on to consumers would affect industrial users quickly, through the monthly price adjustment mechanism, though domestic consumers would not be affected until tariffs were next due for increase. My own view is that the extra costs of oil burn should not be passed on to consumers, given the general position regarding the level of UK electricity prices to industry. Moreover, compensation to the CEGB for the extra costs of oil burn, along the lines of the scheme we agreed earlier this year during the ASLEF dispute, would make it easier to prompt the Board to burn oil earlier than they are contemplating at present, if we should so decide.

I should add that purchasing electricity from Scotland via the interconnector involves the CEGB in some extra costs, compared with burning its own coal, and it would be right on this occasion to compensate them for this as well.

In summary, there is a strong argument for maximising oil burn if we are both to see out a long rail strike and be in a position to face a miners' strike this year. We will need to consider carefully tactics and presentation but in any event we should, I believe, be prepared to offer the CEGB proper compensation for the additional costs of such coal-saving measures as we decide to adopt.

I am copying this minute, for the usual limited circulation, to the Prime Minister, the Home Secretary, the Secretaries of State for Industry, Transport, Trade and Scotland, to Sir Robert Armstrong and Mr Sparrow.

  
NIGEL LAWSON



010  
**National  
Union of  
Railwaymen**

INCORPORATING THE NATIONAL UNION  
OF ROAD TRANSPORT OPERATIVES

UNITY HOUSE  
EUSTON ROAD  
LONDON, NW1 2BL

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GENERAL SECRETARY  
SIDNEY WEIGHELL

ASSISTANT GENERAL SECRETARIES  
R. J. TUCK  
C. E. TURNOCK  
A. L. DODDS

Prime Minister (2)

16 June 1982

Your Ref.  
My Ref.

*MW*

*This is how the NUR are  
presenting their case. R18  
I understand that some of the*

Dear Sir

The Future of the Railway Industry *executive are wavering*

You will be as concerned as I am at the prospects of a long drawn-out and bitter strike in the railway industry. The railways are a vital part of the economy and there is therefore a serious responsibility upon all concerned to do everything possible to avoid this conflict. *considering pulling back behind*

While the immediate issue is the failure of the British Railways Board to respond realistically to our detailed pay claim, this is only one factor in a complex situation which concerns the very future of the railway system in this country. *ASLEF.*

The pay offer of 3% in the current year - a wage freeze from April to September, followed by a 5% increase - only served to heighten the atmosphere of anger and frustration within the industry. *MUS 18/6*

There are three parties to the running of the industry - the Unions, the Railways Board and the Government. The attached note spells out how the N.U.R. has delivered on its commitments and honoured all the agreements we have made. On the other hand the Government has reneged on its commitments to synchronize authorisation of investment in step with acceptance of change within the industry and the Board have dismally failed to honour firm promises to use the savings achieved to improve the pay and conditions of railwaymen.

You have a key role in understanding all that is involved and I am certain that after reading the enclosed notes you will have a greater appreciation of all the issues.

I am writing direct to you, therefore, to seek your consideration of what can be done to get us over this present pay dispute to provide the opportunity for a rational approach by all the parties to solve together the real issues involved in the nation's interests.

Please do not hesitate to write to me if there is any additional information you require or further discussion of the Union's position.

Yours faithfully

*S. Weighell*



### The N.U.R. Case

The N.U.R. is not a Union which enters industrial action at the drop of a hat - our last national railway strike was in fact fifty six years ago. We are a responsible and constructive organisation and have earned the right to respect and fair dealing.

Two years ago, in an atmosphere of crisis, the industry itself - management and staff - got down to two days of serious and detailed discussion on the future. A "balance sheet" of change was drawn up for presentation to the Minister of Transport. The industry would undertake to effect major efficiency measures - Freight Marshalling Yard Rationalisation, Withdrawal from Parcels Collection and Delivery, Reduction in Passenger Mileage, Administrative Streamlining and an action programme of "good housekeeping" productivity measures.

This was to be matched by government approval of an investment programme, adequate External Financing Limits and a realistic Public Service Obligation Grant.

This balance sheet was discussed between the Transport Minister and the industry on three occasions.

/contd.



We thought there was acceptance of a synchronized approach when at the first meeting the Minister said "there was a need for a sensible bipartisan programme." On the second occasion he went further in stating that "the government was concerned not only with the present but with the long term future of the industry ....." He said that he "recognised the need to synchronize moves to meet the objectives of the railway industry and the government" and that "steps taken by the railways to improve productivity had to be geared to investment decisions taken by government."

At the third meeting the Minister said that the Government were "quite prepared to play to (the) rules" of a synchronized approach to the industry's problems.

At the meetings in June 1981 and December 1981 the Board Chairman, Sir Peter Parker voiced the strong feeling of the Joint Management/Union Rail Council "that whilst the industry had delivered on its side of the balance sheet the Government had not moved at the same pace and there was now a need to bring forward the vital decisions on investment required by the industry.

Consider what we have achieved:-

To judge whether the industry has delivered on its side of the balance sheet it is necessary to take a brief look at the main elements of the actions proposed in the 'Balance Sheet'.



(a) Rationalisation of Freight Marshalling

Yards to be completed by 1981. Proof of the speed of implementation can be seen in the reduction in the number of freight marshalling yards which fell by one-third in 1981 from 107 to 74. B.R.'s ability to substantially reduce the Freight deficit in 1981 was due entirely to the co-operation of the N.U.R.

(b) Withdrawal from C & D Parcels

This represented greater restructuring than had been agreed in the 1980 pay settlement when rationalisation of, but not withdrawal from, Collection and Delivery had been released for local consultation. Withdrawal from C & D Parcels was effective from 1 July 1981.

(c) Reduction in Passenger Train Mileage and Facilities

Loaded train miles were down 2.3% in 1981 on the 1980 level. Intercity loaded train miles will have been reduced by 10% in five steps:-

June 1981	-	3% (implemented)
October 1981	-	2% (implemented)
January 1982	-	10% (implemented)
May 1982	-	2% (implemented)
October 1982	-	2%.



(d) Acceleration of Administrative Streamlining

Involved reorganisation of control and centralisation of accounting procedures both of which have been implemented. Reduction in number of divisions and cuts in Administrative staff by 3,000 are currently being progressed.

(e) Co-operation in Good Housekeeping

Measures designed to match the workforce to the changed demands of the industry which do not necessarily involve re-organisation have been implemented extensively.

As a consequence of these changes 15,510 posts were eliminated on the railways between April 1980 and April 1982. The total staff cost savings, based on August 1981 rates, are approximately £74m on an annual basis. These are recurring savings - not once and for all - and take no account of savings in fuel, track equipment, maintenance, locomotives etc. of £25m or more.

Altogether, therefore, the savings so far achieved amount to around £100m or more than 5% of the Board's total paybill. None of these savings have been used to improve the pay and conditions of railwaymen as the Railways Board promised.



The final item on the 'balance sheet' was concerned with changes in working practices. However, discussions on this aspect were caught up with the A.C.A.S. understandings on Pay and Productivity in August 1981.

The N.U.R. has fully met the commitments it undertook in agreeing the 1981 A.C.A.S. Productivity Understanding. Open station experiments are taking place; the Union has made a positive approach to manning of passenger trains on the Bedford/St Pancras line by proposing a changed role for the Guards in conjunction with the extension of the open station concept to the line. We have made constructive proposals on the Trainman's Concept and taken part in studies on the conditions under which freight trains might operate without a guard. We are prepared to discuss the easement of the locomotive single manning agreement. Last, and by no means least, the N.U.R. has reached agreements on flexible rostering for Guards and other Conciliation Grades. The recent Tribunal Award on Variable Rostering for Footplate Staff has been accepted by the N.U.R. and is seen as totally vindicating the approach we have taken.

The N.U.R. has long recognised that changes in the railway industry are inevitable. We have demonstrated our willingness to co-operate in that change but we can only continue to do so if the Government is prepared to play its role by providing an adequate financial framework in which the industry can modernise and re-equip itself to meet the needs of the public.





SECRET

Prime Minister (2)

MCS 16/6

Prime Minister

POSSIBLE INDUSTRIAL DISRUPTION ON LONDON TRANSPORT AND BR

There is a possibility of industrial disruption on London Transport either on cuts in tube and bus services, or on pay, or both. I mentioned this in my minute to you of 25 May. I have been keeping in close touch since then with Sir Peter Masefield, the Chairman of London Transport. He told me yesterday that LT's underground staff will probably have a one-day strike on 21 June to protest against the service cuts on the underground which will take place that day. The cuts are relatively small and the unions know that there will be no redundancies. On the buses there will be service cuts at the end of July. This could also cause problems. But London Transport do not expect sustained industrial action by the busmen and in particular do not expect them to strike in support of an early rail strike.

On the pay front the busmen have just rejected, against the advice of their union, an offer of 7% with productivity ties. The rail unions are now looking at the same kind of offer.

We can cope satisfactorily with sporadic industrial action on the underground next week. The Metropolitan Police will be putting in hand their usual emergency traffic management and parking measures.

It is clear that the unions have not so far made up their minds as to what they are trying to achieve or decided on any concerted strategy. The danger we must watch out for is a prolonged underground strike at the same time as a prolonged BR strike. At the moment Sir Peter Masefield sees this as no more than a possibility. But he felt he ought to mention it to me.

SECRET



  
**SECRET**

I shall report to you early next week as soon as the position is clearer.

At the time I write there is no reason to think that the strike the NUR have called will not take place or will be deferred. The probability is that ASLEF will join it. Even if there is some change in the NUR position, the confrontation with ASLEF will in case start on 4 July on imposition of flexible rosters. The industry's top consultative body, the Rail Council, meets tomorrow morning, but there is not at present any reason to think that will lead to a change in the position. The Board certainly have no proposals for making any fresh offers. I will report more fully on the BR situation tomorrow.

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

JH  
7

DAVID HOWELL

16 June 1982

**SECRET**



SECRET



✓ J V 25

Prime Minister (2)

CABINET OFFICE  
Central Policy Review Staff

MS15/6

70 Whitehall, London SW1A 2AS Telephone 01-233 - 7798

Qc.03064

15 June 1982

ms

Dear Chancellor,

The Railways

John Sparrow saw your minute to the Prime Minister of 10 June before he went on leave, and asked me to let you have some CPRS comments. We have also seen the letter of 14 June with the Prime Minister's comments.

2. Extra oil burn accounts for one-third of the cost to the public sector, on the assumption that it begins from the start of a rail dispute. But as your paper notes, a later start or lower level of oil burn would be possible. A decision by Ministers to authorise extra oil burn should follow from an up-to-date assessment of all the relevant factors, including the likely length of a rail strike, the risks of a miners' strike in the autumn, and the relative importance of varying coal stocks on both fronts. The CPRS agrees that it would be helpful if the Secretary of State for Energy could produce the up-to-date assessment of coal stocks and the effects of oil burn suggested in your minute.

3. Secondly, the CPRS agrees that the BSC figures are disturbing, and would question BSC's approach to what may well be a long dispute. Two of BSC's integrated plants, Port Talbot and Teesside, are on coastal sites and may not be so dependent on rail supplies of raw materials. We also understand that part of BSC's dependence on rail is for movement of semi-finished steel from site to site: much of this semi-finished steel might be transferred by road, even if it means operating the finishing plant at less than optimum levels. It is quite possible that by these means BSC could sustain a sizable proportion of its business during a rail dispute. We agree that the Secretary of State for Industry should ask BSC to examine an alternative strategy, based on maintaining production so far as possible, and assess its financial consequences.



SECRET

4. I am sending copies of this letter to those who had copies of your minute.

Yours sincerely,  
Alan Bailey

A M BAILEY

SECRET



24 BK



file  
hc: J. Veretor.

10 DOWNING STREET

✓ 140  
End  
Energy  
SO  
Transport  
Trade,  
CO  
CPRS

From the Private Secretary

14 June 1982

Dear John,

THE RAILWAYS

The Prime Minister read with interest the Chancellor's minute of 10 June about the likely cost to other public sector industries of industrial action on the railways.

She has commented that the figures in the Chancellor's note appear to take no account of savings which will accrue from ingenuity in overcoming the difficulties. The Prime Minister therefore agrees with the Chancellor that it will be helpful if the Secretary of State for Industry could ascertain urgently whether an alternative lower cost strategy exists for BSC; and whether similar moves could be made elsewhere to minimise the cost of industrial action. It would clearly be useful if this were available for the meeting arranged for Thursday 17 June.

BK |

I am sending a copy of this letter to the Private Secretaries to the Home Secretary, the Secretaries of State for Industry, Energy, Scotland, Transport and Trade, Sir Robert Armstrong and John Sparrow (CPRS).

Yours sincerely,

Michael Scholar

\* but now postponed until early next week.

John Kerr, Esq.,  
HM Treasury





(2)

Prime Minister

SECRET AND PERSONAL

P.0771

MR SCHOLAR

WZ

To note (relevant to next Thursday's meeting on railways).

MCS 11/6

The Implications of a Rail Strike for Power Station Coal Stocks in the Autumn

At the Prime Minister's meeting on 16 May the Official Group on Coal (MISC 57) was instructed to consider whether it was possible to define more precisely than had so far been the case the point at which a rail strike might need to be brought to a close if power station coal stocks in England and Wales are to be rebuilt by 1 November to the target level of 24 million tonnes.

... 2. MISC 57's report on this is attached. Briefly, its main conclusion is that an all-out rail strike starting on 5 July would need to be brought to a conclusion by about the end of August if, as seems likely, the miners are prepared to offer only limited cooperation in the continued movement of coal. With full cooperation from the miners it might be possible for a rail strike to continue until about the end of September; no cooperation from the miners would point to bringing the rail strike to a conclusion by about the middle of August.

3. The analysis was prepared before it became clear that an all-out rail strike was in fact likely to start a week earlier, on 28 June. The conclusions would not be significantly different if that date had been chosen.

4. 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 Industry, Defence, Transport, Energy, Employment and Scotland and to Sir Robert Armstrong and Mr Sparrow.

PLG

P L GREGSON

11 June 1982



**SECRET**

AND PERSONAL

THE IMPLICATIONS OF A RAIL STRIKE FOR POWER STATION  
COAL STOCKS IN THE AUTUMN

Note by the Official Group on Coal (MISC 57)

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INTRODUCTION

1. This report follows the Prime Minister's meeting on 26 May on the railways, when MISC 57 was instructed to consider whether it was possible to define more precisely than hitherto the point at which a rail strike might need to be brought to a close if power station coal stocks were to be rebuilt by 1 November.

Assumptions

2. The level of power station coal stocks next autumn following industrial action on the railways this summer will be critically dependent on the length of the rail strike and on the extent to which the miners are prepared to co-operate in the delivery of coal by other means during a rail strike.
3. We have assumed for the purpose of this analysis that a rail strike would start on 5 July, would be an immediate all-out stoppage and would last for not less than 8 weeks.
4. As regards the possible attitude of the miners we have considered the following three possibilities:-
  - i. full co-operation from the National Union of Mineworkers (NUM) in increased deliveries of coal by road and in the continuation of deliveries by conveyor, inland waterway and coaster;
  - ii. limited co-operation ie. deliveries by road etc being allowed to continue at their normal levels, but not to increase. This seems the most likely scenario; and

**SECRET**

AND PERSONAL



iii. no co-operation ie. no movement of coal by road, conveyor or water-borne transport. Our previous reports, during the rail strikes earlier this year, ruled out this possibility. But with their own pay negotiations only a few months away the miners may be less prepared than in the spring to help keep power station coal stocks high. Thus, the complete withdrawal of NUM co-operation cannot now be ruled out.

5. Finally, we have assumed that power station oilburn and the transfer of electricity from Scotland would be maximised immediately a rail strike began and would continue at that maximum level until 1 November. In the event of no co-operation from the miners it may not be possible for maximum power to be transferred from Scotland or for the transfer to be maintained continuously; but this would have only a small effect on the figures quoted below.

Analysis

6. The likely level of power station coal stocks in England and Wales by 1 November on the basis of the above assumptions is as follows:-

	full NUM co-operation	limited co-operation	no co-operation
Duration of rail strike from 5 July			
- 6 weeks			24 mt
- 8 weeks	24 mt	24 mt	22½mt
- 10 weeks	24 mt	22 mt	20 mt
- 12 weeks	23-24 mt	20 mt	17 mt
- 14 weeks	21½ mt		

With maximum oilburn etc 24 million tonnes represents about ~~25~~<sup>20</sup> weeks endurance; every 1 million tonnes less than this reduces endurance by about 1-1½ weeks.

7. Thus, if the target level of power station coal stocks is to be achieved by 1 November a rail strike starting on 5 July would need to be brought to a conclusion within the following timescales:-



**SECRET**

AND PERSONAL

full co-operation	end-September
limited co-operation	end-August
no co-operation	late-August

8. We have also considered how the above analysis would change if a rail strike were to begin much later than currently expected eg. on 9 August. By then power station coal stocks would be at their maximum level of 24 million tonnes. The following seem to be the timescales within which a rail strike would have to be brought to a close if stocks were to be rebuilt to this level (or very close to it) by 1 November:-

full co-operation	mid-October
limited co-operation	early-October
no co-operation	mid-September

9. Finally, we have considered how far endurance of a rail strike could be extended by maximising power station oilburn in advance of a rail strike. The effect of maximum oilburn is to increase power station coal stocks by 0.5 million tonnes per week. Thus maximum oilburn during the last two weeks in June would mean that a rail strike <sup>from 5 July</sup> could be allowed to continue until the end of August with no co-operation from the NUM or until mid-September in a situation of limited co-operation, and power station coal stocks still be built up to 24 million tonnes by 1 November.

#### Costs

10. The net weekly cost of maximum power station oilburn is £30 million. Depending on the starting date of the rail strike and on the extent of co-operation from the miners, maximum power station oilburn might be necessary for between 12 and 17 weeks. Thus the total cost might be in the range £350 million to £500 million.

Cabinet Office  
11 June 1982

3

**SECRET**

AND PERSONAL



JV 23



Prime Minister (2)

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

To note. 1

PRIME MINISTER

THE RAILWAYS

*It seems to me that there is no room whatsoever believe that there will need to be a meeting for information in the rail group before the end of next week; that there will be decisions to take.*

.... At our meeting on 26 May I was asked to provide an analysis of the likely cost to other public sector industries of industrial action on the railways. I attach a note providing this information. The note has been prepared in consultation with sponsor Departments concerned but largely without consulting the industries themselves because of the sensitivity of the material. The figures are inevitably approximate and should be treated with caution. MCS10/6

2. The note makes some basic assumptions about the nature and duration of any industrial action. In particular, it assumes that the action will take the form of an all-out stoppage beginning in the first week of July (although an earlier start to the dispute or earlier limited action, such as overtime bans, are unlikely significantly to effect the estimates). It also assumes that sympathetic action by other unions will be limited allowing road haulage, for example, to be substituted for rail transport to the maximum extent feasible. On this basis, the attached note shows what might be the effect of a relatively short (one month) and long (3-month) dispute. Where an industry faces some critical point outside these parameters after which its costs escalate sharply, this is identified separately.

3. The note also distinguishes where possible between the immediate, gross, costs of any dispute and the net effect on EFLs which will reflect the extent to which losses have been recouped (or exacerbated, for example by lost markets) during





the remainder of the financial year. For the purposes of this exercise because any cost would influence the demands they make on the Government it treats British Leyland, British Nuclear Fuels Ltd. and Rolls-Royce as public sector bodies although the financial effect is significant only in the case of British Leyland.

4. The clear message of the note is that the potential costs to Government finances of a long rail dispute is extremely high - possibly in excess of £1 billion if the dispute lasts 3 months. Two factors account for the great bulk of this cost. First, we have assumed that maximum oilburn is to be started at the outset of the dispute. This alone accounts for about one-third of the total cost to the public sector, although in terms strictly of lasting out a rail strike, it may not be necessary to begin oilburn so early or at such a high level. A lower level of oilburn, or a later start, would have implications for the level of coalstocks which could be rebuilt by the Autumn but would significantly reduce the costs of a dispute. I think it would be helpful if Nigel Lawson could provide an assessment of the effect of significantly lower levels of oilburn, or of starting maximum oilburn later, on our ability to endure a rail strike and subsequently on the level of coal stocks. We can then consider where our priorities lie.

5. The second major contributor is British Steel. The very substantial costs BSC expect to incur (£500 million for a 3-month strike) apparently stem from their decision to handle a rail strike by progressively shutting down their business altogether. This tactic may make commercial sense in the context of a relatively short dispute when relatively high stocks and the approaching holiday season will ensure that costs are minimised. Even over a 2-month period the costs of this approach, while severe at £100 million or more, would be containable. With a 3-month strike, however, there is a danger that BSC's tactics would backfire. As stocks ran down and markets were progressively lost, revenue losses would mount





and, having shut down, there would be difficulties in restarting production during a rail strike. The resulting prolonged shutdown would have a devastating effect on BSC's finances. In view of the possibility of the stoppage being a long one, I think it would be helpful if Patrick Jenkin could ascertain urgently whether an alternative strategy, based on maintaining production, exists for BSC and whether such a strategy would mitigate the financial consequences set out here. We would then be in a position to consider whether there should be discussions with BSC about the course they should adopt in the event of a rail strike.

6. I am copying this minute to Willie Whitelaw, Patrick Jenkin, Nigel Lawson, George Younger, David Howell, Arthur Cockfield and to Sir Robert Armstrong and Mr Sparrow. Its circulation within Departments should for obvious reasons be extremely limited.

(G.H.)

10 June 1982



S E C R E T

EFFECT ON OTHER PUBLIC SECTOR INDUSTRIES ON INDUSTRIAL ACTION ON  
THE RAILWAYS

The industries most affected by a stoppage on the railways would be:

National Coal Board  
Electricity Supply Industry  
British Steel Corporation  
British Shipbuilders  
Post Office  
British Leyland

A number of other industries, such as National Bus and British Telecommunications might indirectly benefit, for example from increased traffic, but the financial effects are likely to be marginal.

This cost to British Rail (BR) itself of any dispute would depend crucially on which of its unions participated. If both NUR and ASLEF members strike (but not the administrative staff (TSSA) or engineers (AUEW)) the net cost to BR would be about the same as the loss now incurred in operating the railway - ie the effect would be zero in EFL terms, although the Board would be faced with the problem of how to finance losses of £15-16 million a week if the Government ceased paying grant. If ASLEF alone take strike action, the EFL cost would increase to £12m a week, an underlying loss to the Board of £27-28 million. The Secretary of State for Transport will be bringing forward a separate note dealing in more detail with the effect of a dispute on BR's finances.

The effect on other public sector industries is summarised in the table below. The position of each industry is described in more detail in the notes which follow.



S E C R E T

	(& million)			
	1 month strike		3 month strike	
	Immediate cost	gross Likely net EFL effect	Immediate gross cost	Likely net EFL effect
National Coal Board )	N/A	150	N/A	470
Electricity Supply )				
British Steel	80-120	40-60	350-450	500
British Shipbuilders		Negligible	15	15
British Leyland	0-40	n/a	Up to 100	n/a
Post Office		Negligible	25	Less than 25

National Coal Board and Electricity Supply Industry

The close links between these two industries make it necessary to consider them together.

*in summary*  
The crucial assumption is that the CEEGB maximise oilburn from the outset of industrial action. This will cost £30 million a week - £120 million for a one-month dispute and £360 million for a 3-month dispute. If the CEEGB hold to their agreement to take 76 million tonnes of coal from NCB in 1982-83 despite the increased oilburn, all these costs will fall on the CEEGB. To the extent that the CEEGB takes less coal in total during 1982-83 (and it is doubtful whether it would be physically possible to deliver the planned full amount after a 3-month stoppage) part of the cost will fall on NCB. But the overall cost to the public sector will remain unchanged.

In addition, certain costs will inevitably be incurred by NCB. Coal not delivered to the CEEGB during the dispute, even if it is delivered later, will have to be stocked. Additional stocking will also result from lost sales to other customers where alternative transport cannot be found (put at 250,000 tonnes a week or 50 per cent of sales). In the case of non-CEEGB customers there will also be an irrecoverable revenue loss to the extent that sales are not recouped at a later date. These costs are likely to total £30 million for a one-month strike and £90 million for a 3-month strike.

The Scottish Electricity Boards would not suffer any adverse financial impact from a dispute. It is assumed that non-rail coal deliveries are maintained and maximum use is made of the interconnector to supply



CEGB. In these circumstances only a 3-month strike would require increased oilburn in order to maintain coal stocks above 1.5m tonnes. However the cost of this oil burn (£20 million) would be passed on to the CEGB and is taken into account in the cost estimates given for that industry.

### British Steel

In the event of a rail strike BSC intend to close down all their major steelworks progressively, in an orderly fashion. BSC's main steelworks depend on rail deliveries of their bulk raw materials - iron ore, coking coal and fuel oil - and transport of semi-finished steel between BSC works and to private sector steel processors is also predominantly by rail. The advantage to BSC of an orderly closedown is that, once the rail strike is over, they would be able to resume full normal production quickly and efficiently.

A rail strike from 1 July which only lasted one month would occur at a period when BSC order books are low, and planned holiday shutdowns are due to occur. A large proportion, probably half, of the gross costs of a strike could therefore be expected to be recouped. It would be difficult for BSC to recoup even these net losses of £40-60m by means of any subsequent action.

The critical point for BSC would come after about 2 months. Up till the end of August, with planned holiday shutdown periods and low orders and deliveries expected, the effects would be fairly expensive (perhaps £100 million to £200 million net) but containable. But if production were not restored early in September BSC would begin to experience very serious effects. A three-month rail strike would be extremely serious. The gross cost would be about £35 million a week after the first month; at a rough estimate the gross cost over 3 months would be £350 million to £450 million. But since imports of finished steel are usually carried by road there would be further costs since BSC would lose UK market share and export business from such a prolonged shutdown: a 10 per cent drop in BSC's steel deliveries (equivalent to roughly 5 per cent loss of UK market share) would cost BSC about £100 million a year. If this business could not be won back reasonably quickly the viability



of some of BSC's major plants would be put at risk, with the possibility of major closures. A three-month strike which kept BSC shut down would probably cost BSC about £500 million in 1982/83 with no possibility of recouping any of these losses either in 1982/83 or in subsequent years: indeed there would probably be on-going costs from permanent loss of steel business.

#### British Shipbuilders

It is believed that British Shipbuilders (BS) would be relatively unscathed by a one month strike. Those yards where steel is delivered by train and other forms of transport could not easily be substituted should be able to minimise costs by re-ordering work programmes (eg to enable outfitters to start work early on unfinished vessels). This process could not however be maintained indefinitely. A 3-month strike would be likely to cost £15 million mainly in overheads and wage costs in the yards affected. These costs would be a once and for all effect - the net cost would also be in the region of £15 million. BS do not believe these costs could be recouped readily.

The crucial assumptions in this are that road haulage is unaffected, and that supplies of steel continue to be available. The assumption of continued road haulage has been made in all cases and is judged a reasonable one. The assumption about steel supplies is more problematic. British Steel do not envisage continuing large-scale production in the event of a strike. British Steel's stocks are relatively high, and BS carry a further one month's stock themselves. But should it prove impossible to procure alternative steel supplies (eg, from abroad) when these stocks are exhausted the effect on BS could be severe. The financial cost would not be less than £50 million a month.

#### British Leyland

The cost estimates of £0-40m and up to £100 million for a one and 3-month strike represent what is known to be at risk in terms of vehicles exported which are currently transported by rail. To the extent that alternative forms of transport can be found, the cost will be nearer zero than £40 million for each month.



In addition, BL are likely to face costs in maintaining production in the face of supply difficulties - rail transport plays an important role in the assembly process. No estimate of these costs is available, but after 3 months BL could well be facing difficulties in maintaining production with consequent risk of market losses and increased financial costs. The estimates given here should therefore be regarded as a minimum.

The costs to BL of a rail dispute will not necessarily be equivalent to the costs to Government. An estimate of these latter costs could not be made without detailed discussions with the industry about its likely response to industrial action.

#### Post Office

It is believed that the Post Office could contain the effects of a one-month stoppage by using alternative means of transport. Over a 3-month period, this would have an increasing cost, although the net cost to the Post Office will be much lower to the extent that they can negotiate compensation from BR. A 3-month strike, however, would increasingly affect service quality leading to some traffic loss and consequent revenue loss.

It is a crucial assumption for the Post Office that all other means of transport remain available to carry additional traffic. If this were not the case, the cost of a 3-month strike would reach £100 million.



RESTRICTED



cc DV  
Trappal  
Prime Minister (2)

OVERSEAS DEVELOPMENT ADMINISTRATION  
ELAND HOUSE  
STAG PLACE LONDON SW1E 5DH

Mus 11/6

Telephone 01-213 5409

From the Minister

10 June 1982

Dear David

MS

RAIL CONTAINER WAGONS FOR KENYA

Thank you for your letter of 3 June about the rail wagons for Kenya.

My officials expect to complete their appraisal of the developmental aspects of the request for ATP support for an order for 400 rail wagons for the Kenya Railways Corporation (KRC) next week. We are expecting further information from our Development Division in Nairobi within the next few days which will enable us to decide what we think is the appropriate number of wagons required by KRC. We foresee no developmental objections in principle to the supply of this type of wagon to Kenya. Indeed, they should considerably benefit the Kenya economy by facilitating the growth of container traffic and promoting more efficient movement of Kenya's imports and exports via Mombasa port. But to achieve maximum developmental benefit, the supply of wagons must accord with the projected increase in rail container traffic. According to information presently available it seems that 400 wagons may be considerably in excess of KRC's operating requirements.

My officials are also seeking certain information from the Department of Trade in order to finalise their recommendations on this case. We need to have revised costings for BRE-Metro's application (together with delivery schedules and proposed phasing of ATP expenditure); full details of Standard Wagons' application; the views of DOT (and DOI) on the relative merits of each applicant and the basis on which any ATP offer should be made; and confirmation that this application is afforded top priority for the limited ATP funds available. The Treasury's final view on this case also awaits DOT's clarification of certain points. DOT officials are aware of your wish for an early decision on this ATP request and I know that Arthur Cockfield will ensure that this information is sent to us as soon as it is available. DOT's ability to respond promptly will of course much depend on the speed with which BRE-Metro and Standard Wagons can supply the information required from them.

/I am therefore

RESTRICTED



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I am therefore hopeful of being able to reach a decision on this case soon. As indicated in my letter of 26 May, an ATP offer in support of this contract would certainly not guarantee Kenya's placement of an order with a British company. It would however enable UK suppliers to compete more effectively with their foreign competitors and assure the Kenya Government of our confidence in the UK product.

I am as before copying this letter to the recipients of yours.

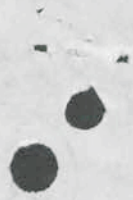
Yours,  
Neil

NEIL MARTEN

The Rt Hon David Howell MP  
Secretary of State for Transport

RESTRICTED





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2881 Nov





22

PA Copy no. 1 of 11  
MUS 11/6

Prime Minister

cc JV

SECRET

You may also like to see John Vercher's account of a meeting with Sir P Parker. The Board seem to have little idea of how they will end the dispute (as the manner of its beginning was also a surprise to them yesterday)

Prime Minister

MS

THE RAILWAYS

The decision by the NUR Executive, though it has not yet been formally notified to the Railways Board, appears to be to call a long and indefinite strike starting at midnight on 27 June, on the demand that the Board should improve their pay offer, and should not attach productivity conditions. They have instructed their General Secretary not to seek talks with the Board on this. Clearly they expect to put the Board in a position where they feel obliged to make the first approach.

The Board will not be making any moves towards further meetings that would suggest any change in their position, and will be sternly discouraging the idea, that has appeared in this morning's newspaper reports, that they contemplate making a fresh offer. It is the Board's expectation that ASLEF will join the strike, but that remains to be seen.

Our posture must be to emphasise that this is a straight industrial relations' dispute between the Board and their employees while doing all we can to support the Board's efforts to keep the focus sharply on the issues of productivity, and away from the issues of pay and investment which the unions and the opposition prefer. I shall take an early opportunity to make a speech setting out firmly and positively our policies for the future of the railways.

SECRET





**SECRET**

Officials are pursuing with the Board the need to clarify the objectives in this dispute, and will shortly be putting to us a remit on the various legal and financial points we shall have to deal with. I do not foresee that there are any fresh decisions we shall need to take before your return from New York.

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

J4.  
7

DAVID HOWELL  
10 June 1982

**SECRET**



PA.  
Not in time  
MR SCHOLAR to show

**CONFIDENTIAL**

9 June 1982 *Transport*

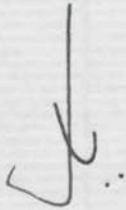
cc Mr Mount

BRITISH RAIL

PM before her  
departure to Bonn.  
MCS 20/6

MISC 72 is preparing the ground for a further meeting of Ministers, concentrating on the one issue that is clearly within Ministerial discretion, namely what financial assistance if any to give British Rail during a dispute, and the financial and legal constraints. Our work should be concluded in time for a meeting of Ministers later this week.

The area where we have made least progress is extracting from the BR Board any idea of their tactics for handling and concluding the strike. The Department of Transport believe this is partly because of the unsatisfactory relationship between the industrial relations side of British Rail, to whom they have been talking, and Peter Parker; and John Palmer has suggested that it would be helpful if he, Graham McKenzie (CPRS) and I have an informal discussion with Peter Parker about his own view of the tactics. I think nothing but good can come of that, and I would of course make it clear that I was not in any sense empowered to speak on behalf of the Prime Minister, but you may feel that you ought to let her know what is afoot (you will recall that we went through a rather similar stage with Mr Dearing and the Post Office).



JOHN VEREKER

**CONFIDENTIAL**



SECRET

Transport

21

MR MOUNT

cc Mr Walters  
Mr Scholar

The Railways

I attach the latest report from the Department of Transport about developments on the railways.

You will see that it records that officials have been discussing some of the tactics with the BR Board; I discussed this today with the CPRS, who have been involved.

The CPRS have pressed Rose in three areas: internal communications, i.e. the extent to which BR is really trying to persuade their staff of the need for productivity changes, on which a paper is promised; the legal position on lay-offs, on which more below, and on tactics for bringing the strike to an end, on which the Board have so far produced absolutely no ideas at all.

It is becoming apparent from these discussions that the Board is determined to take on ASLEF, and do everything possible to keep the other unions sweet. That is why the Board have taken the otherwise astonishing decisions to put their pay offer on the table at this stage, and to offer the NUR the 50p per shift payment for operating flexible rosters (which is worth another 2½%). We saw at an earlier stage how the productivity conditions bit much harder on ASLEF than on NUR, and the Board is quite determined to send home on 4 July any ASLEF drivers refusing to work the new rosters, so the railways may well grind to a halt soon after.

That is where BRs' power to lay-off without pay its non-ASLEF members becomes important. BR will no doubt want to go on paying them, having probably by then sewn up some kind

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/of



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-2-

of agreement, and wanting to keep them sweet. Officials will be examining the implications of the Government refusing to continue to pay the PSO grant, and thus putting BR in the position where they could not afford to meet the pay bill. The legal position is also unclear, in view of the NUR's guaranteed week, which can be suspended only with the agreement of all parties. There is a meeting of the Official Group on Wednesday morning, which I shall attend; I have been arguing for any ministerial discussion of these issues to be properly prepared by officials this time.

C. M. M. VEREKER

7 June 1982

SECRET



SECRET

COPY NO ... OF 13...



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

20

Prime Minister (2)

MS 4/6

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

4 June 1982

Dear Michael,

THE RAILWAYS

Mr Howell, who is as you know out of the country, has asked me to send you this report on developments since his minute of 27 May to the Prime Minister.

At the meeting of the Railways Staff National Council on 28 May, the Board called on ASLEF to accept the recommendations on flexible rostering of Lord McCarthy's Tribunal. ASLEF refused. The Board said that they would have to impose the new rosters, but did not specify a date. The ASLEF Executive has since reiterated its position, and is instructing the Union's local representatives not to discuss proposals for the new rosters. The Board has issued instructions to its managers for bringing the new rosters into operation. The Board have confirmed to us that it is still their intention to do this from the 4 July.

At the same meeting of the RSNC, the Board made the pay offer foreshadowed in Mr Howell's minute of 27 May. The Unions rejected this.

The Board are writing today to the NUR and the other unions concerned with their offer of a review of the workshops issues; the NUR will accordingly have this before their Executive meets on Monday, 7 June.

The Board now have information of moves between the Unions to set up a meeting, probably on Wednesday, 9 June, for the purpose of concerting their response to the Board's offer on pay and productivity. Mr Howell will report further to the Prime Minister when the outcome of that meeting is known.

SECRET



SECRET

Meanwhile, officials from the Department and the CPRS are pursuing with the Board the various questions identified on their tactical preparations and strategic planning.

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

*Yours Sincerely*

*Toby Johns*

T JOHNS  
Private Secretary

SECRET





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WATERLOO





**CONFIDENTIAL**

DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

*Prime Minister (2) c/c JV*

*To be aware.*

The Rt Hon Neil Marten  
Overseas Development Administration  
Eland House  
Stag Place  
LONDON SW1E 5DH

*MUS 4/6*

- 3 JUN 1982

*Dear Neil*

Thank you for your letter of 27 May about the rail  
wagons for Kenya.

I was not aware of the need for further information from  
BRE-Metro, and I shall press them to provide it urgently.

The fact that there is a private sector British competitor  
is in my view helpful, rather than a disadvantage. There could  
be no clearer message to BREL and their unions than to lose  
this order in fair competition with the private sector. At  
present they can complain that they face unfair competition  
from overseas suppliers. I should like BR to be in a position  
to tell the unions that they have received such Government  
support as they can legitimately expect in seeking this order -  
and that their success or failure depends on their own ability  
to compete effectively. I certainly seek no preference for  
BR over the private sector, and I am sure BR will recognise  
the dangers of building false hopes on the mere availability  
of an ATP offer. But a clear decision one way or the other  
would undoubtedly make their stance easier.



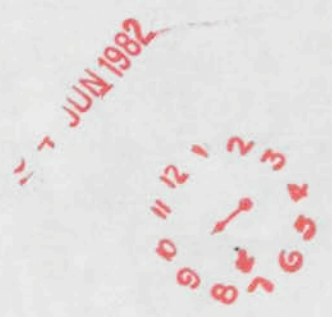
**CONFIDENTIAL**

The negotiations with the unions are, as you will know, continuing. I should again like to press therefore that you should reach your view on this case as soon as you possibly can.

I am copying this as before.

*Yours ever*  
*David*

DAVID HOWELL







Transport.

RAILWAY STAFF NATIONAL COUNCIL  
28 MAY 1982

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British Rail today offered to increase railway pay by 5 per cent from 6 September 1982, provided that negotiations on the items contained in the 1981 productivity agreement have been completed by 30 July 1982.

Mr. Clifford Rose, BR Board Member for Personnel, told the Railway Staff National Council that the Board's serious financial position made it impossible to increase pay from 18 April, a year after the last increase. He also warned that the 5 per cent pay offer would have to be withdrawn if BR did not maintain a full and continuous service to its customers - any disruption would further prejudice the Board's financial position.

The 1981 productivity items included flexible rostering for footplate staff which the Railway Staff National Tribunal recommended should be implemented subject to certain safeguards.

The Board continues to seek a national agreement with ASLEF on flexible rosters, but in the meantime, flexible rosters - prepared in accordance with the RSNT criteria - are being issued in readiness for implementation.

The other 1981 productivity items related to train manning agreements and the introduction of the trainman concept.

28 May 1982



## 1981 PRODUCTIVITY INITIATIVES - PRESENT POSITION

### 1. Open Station Concept

No problems have been encountered on this initiative. Two pilot schemes are in operation and a third scheme in Eastern Scotland is due to start in mid-June.

### 2. Flexible Rostering

Agreement was reached with NUR and TSSA and implementation of the variable day rosters has already taken place for the great majority of staff affected. ASLEF have not accepted the recommendations of the Railway Staff National Tribunal for the implementation of flexible rostering for footplate staff.

### 3. Single Manning of Traction Units

Management original proposals have been revised and simplified but negotiations were delayed by the failure to reach agreement with ASLEF over Flexible Rostering. RSNT decision 77 found in favour of single manning up to 9 hours.

### 4. Manning of Passenger Trains

NUR are willing to talk in terms of a "changed role" for the guard but have not been prepared to accept the Board's proposition of no guards. The Board have suggested a Joint Working Party to study the operation of the services but neither NUR nor ASLEF have been prepared to take part in such a working party.

### 5. Manning of Non Passenger Trains

On 12 May the Board and NUR examined the Port Talbot - Llanwern freight service to determine how a pilot scheme might operate. The NUR are still considering the results of the visit

### 6. Trainman Concept

In November 1981 the NUR and ASLEF met and discussed inter-union and membership issues surrounding this initiative. Subsequently NUR made a proposal to ASLEF which the Board believe would accommodate the ASLEF viewpoint on union membership. Discussion has been delayed since then by the dispute earlier this year.



## THE RAILWAY TRIBUNAL VERDICT ON FLEXIBLE ROSTERING

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The decision of the Railway Staff National Tribunal after examining the Board's proposals for the introduction of flexible rosters for footplate staff was a vindication of BR's often-stated position that the understanding on productivity reached in August 1981 is intended to lead to a form of flexible rostering which does not add significantly to unit labour costs, but ultimately reduces them, without unreasonable variation in the length of the working day or week.

In essence, the Tribunal ruled that the Board's proposals meet this test, whilst the ASLEF alternative of achieving flexibility without changing existing agreements does not, since it would increase costs.

The Tribunal recommended that the parties agree a system of flexible rostering for footplate staff subject to a range of safeguards covering such matters as hours of work and overtime earnings, which largely reflect facts and assurances given by the Board. Flexible rosters will be a matter for local negotiation in accordance with existing procedures, and provision is made for a review after six months, as in the agreement made for guards.

The Tribunal also recommended modification of existing national agreements on the guaranteed 8 hour day, and on double-manning of locomotives, to allow single-manning for turns up to 9 hours.

Flexible rostering and the shorter working week are inter-related, and in the absence of agreement on flexible rosters, the shorter working week remains outstanding.

The position now is that ASLEF drivers are putting in 40 hours a week to earn the same basic pay earned by other railwaymen for a 39 hour week (37 hours in the case of clerical staff), whilst flexible rosters offer a 39 hour week and specific rewards to be negotiated for staff whose responsibilities are directly affected under productivity agreements.

The critical importance to the railway of making better use of working hours is stressed by the Tribunal in commenting that: "failure to agree any proposal for more flexible rostering 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".

The Tribunal comments finally: "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".



MEETING THE  
CHALLENGE OF  
CHANGE

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- 1979 The current struggle to achieve change in working practices and produce a more efficient railway began two-and-a-half years ago, in November 1979, when the Board presented a paper, "Challenge of the 80s", to the trade unions.
- 1980 Key items from this paper were incorporated in productivity commitments which formed part of the 1980 pay agreement. In return for increases in basic rates of pay of 20%, the unions agreed to set up consultation programmes on a wide range of proposals by 31 May 1980: first, to implement schemes to reduce staff in marshalling yards and parcels depots in line with traffic demand, plus similar savings in administrative staff. Second, to develop programmes for reduction of marshalling yards and parcels depots, and further administrative savings, as soon as possible and not later than April 1983. Third, the trade unions agreed "to continue the discussions/negotiations already begun on changes in national agreements and working practices, with a view to early completion".

The date was May 1980 and the items already in negotiation then included manning agreements and flexible rostering. Another significant part of the 1980 pay agreement was the Board's acceptance of a commitment to introduce the 39 hour week (37 hours for salaried staff) from November 1981, providing this was done in the context of discussion of measures to minimise the cost effect. In the negotiations it was made clear that such measures meant variability around the eight hour day.

- 1981 But despite the clear commitments given to continue negotiations, no real progress was made on any of the items to change working practices by the time the 1981 pay negotiations started.

They ended in a Railway Staff National Tribunal hearing which recommended pay increases of 8% from April and a further 3% from August.

The Board had offered 7%, and faced with a deteriorating financial situation had no alternative but to say that it could not find the money to implement the Tribunal decision unless there was more progress with productivity initiatives. The trade unions threatened strike action and the help of ACAS was sought to resolve the situation. The ACAS discussions ended with two separate but linked understandings on pay and productivity.

The Board agreed to increase rates of pay by 8% from April, with a further increase of 3% payable in January 1982, but backdated to August 1981. The introduction of the shorter working week was deferred from November 1981 until January 1982.



The Board's acceptance of this understanding followed an understanding that there would be trade union commitment to negotiate on six specific productivity items, with target dates named for agreement.

The six items included flexible rostering and easement of conditions of single manning, both with a target date of 31 October 1981.

In the months of negotiations that followed, ASLEF failed to honour the understanding reached at ACAS by refusing to accept any rostering arrangements which involved giving up the 8 hour day. On 16 December the Board warned the unions that the 3% pay increase due from January would be withheld unless a satisfactory agreement on flexible rostering was reached. The NUR had agreed flexible rosters for all staff except footplate grades, and on 23 December the Board said it would not pay the 3% or implement the 39 hour week for footplate staff.

1982 ASLEF took industrial action - a ban on overtime and rest day working, followed by a series of seventeen one-day strikes. Efforts were made to resolve the dispute through ACAS and the Board agreed to accept arbitration if the result was binding, but ASLEF refused. A Committee of Inquiry was set up by ACAS, under the Chairmanship of Lord McCarthy, and reported in mid-February with a procedure for dealing with the way flexible rostering was to be applied to footplate staff and a firm timetable for carrying out negotiating procedures quickly through to the Railway Staff National Tribunal. The Tribunal met to consider the Board's proposals for implementing flexible rostering on 15/16 March, and published its report on 7 May.

The Tribunal's decision was that the parties should agree to a system of flexible rostering for footplate staff subject to certain safeguards, and that existing national agreements dealing with the 8 hour day and double manning should be changed.





Transfer 30

10 DOWNING STREET

*From the Private Secretary*

28 May 1982

The Prime Minister was grateful for the background note on current railway issues, circulated by your Secretary of State under cover of your letter to Michael Scholar of 27 May.

M. A. PATTISON

Anthony Mayer, Esq.,  
Department of Transport.

6





cc

JV

JL

Transp.

10 DOWNING STREET

*From the Private Secretary*

28 May 1982

THE RAILWAYS

The Prime Minister has seen and noted  
Mr. Howell's minute of 27 May.

M. A. PATTISON

Anthony Mayer, Esq.,  
Department of Transport.

AM







SECRET

copy No. 1 of 11

Prime Minister

Prime Minister

THE RAILWAYS

I saw Sir Peter Parker with Mr Reid and Mr Rose this afternoon. Mr Sparrow was with me. I made to them the points on which we agreed at your meeting yesterday evening.

The matter which had particularly concerned us was their proposal to make a specific though conditional pay offer to their unions tomorrow. I had arranged for our very strong concern on this point to be put very firmly to them before their Board meeting this morning. The Board's conclusion which Sir Peter Parker reported to me was that it was tactically better to make a low offer (5% payable from September), but on two specific conditions. The first is delivery by the unions of the productivity commitments outstanding from last year. The Board feel this would give a much clearer position to explain both to the public and to the workforce in the event of a strike. The second, new condition, which was not in the Board's paper, was that this offer would be explicitly subject to continued normal operation of the railway. In other words, if the money available is used up as a result of industrial action, it will not be there for pay increases. This is a different approach to the one adopted earlier. Sir Peter Parker feels it gives the added leverage on the unions. In the light of the way he now intends to present the pay offer, and our wish not to get into detailed tactical negotiations with the Board, I did not feel able to press him further. The Board are clearly set on their chosen course. They do not think that McCarthy will become involved because they will make it clear at the outset that the pay offer is non-negotiable.

For the rest, he confirmed that they will offer the unions a review of the distribution of work between the workshops which would defer for 6-9 months the final decisions to close Shildon and Horwich.

They fully accepted the need to bring matters to a head as soon as possible, and to prevent things from dragging on to September/October. They saw a strike, if it comes, starting in early July at the latest and confirmed that that was indeed the right strategy

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SECRET

from the business point of view. They doubt whether matters will come to a climax at the meeting with the unions tomorrow; the unions are more likely to refer matters to meetings of their executives in 7-10 days time. The meeting of the Rail Council on 1 June has been cancelled because NUR and ASLEF refused to attend. Sir Peter Parker readily agreed to arrangements for keeping us in close touch with their tactical preparations and strategic planning and to the need for further precision of the Board's minimum objectives to secure an end to the strike. They will provide us with further briefing on the various hazards such as the possibilities of legal challenge to imposing the new rosters or to sending men home as being in possible breach of their terms of employment.

Now that the course is being set for what could be a long and bitter strike it is important that in our public utterances we should support the objectives to which the Board are working and their efforts to attain them. I hope colleagues will agree that they will consult me on what they propose to say in public speeches about the railways.

I will report on developments as they occur.

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

JH.  
2

DAVID HOWELL

27 May 1982

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27 MAY 1982

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p. 9.

DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

*Transport*

PERSONAL + Covering Secret

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

27 May 1982

*Dear Michael,*

I attach a copy of the note to which Mr Palmer will be speaking to Bob Reid at 10 am this morning. The British Rail Board meeting to decide their tactics at the meeting of RSNT will take place at 11 am this morning. We are due to meet Sir Peter Parker at 15.30 this afternoon. I will let you know what happens.

I am copying this letter to Bill Moyes.

*Yours,*

*Anthony Mayer*

R A J MAYER  
Private Secretary



SECRET

The Secretary of State accepts the Board's appreciation that they must be ready to face a major and possibly prolonged industrial dispute, and recognises the wider effects. He will accept the Board's choice between Options 3 & 4 so far as the short-term handling of the workshops are concerned.

He expects the Board to plan their course of action with the fullest regard to their financial constraints. They must recognise that they cannot count on more money from the Government to finance a more expensive course.

It is for the Board to decide the immediate tactics.

It would however seem unwise in the extreme for them to make any specific pay offer immediately, even one with conditions attached to it, when their position is that they have not had delivery on most of the productivity commitments of last year and on one issue which has been through the whole machinery there is still fundamental dispute with the unions concerned and the Board cannot now judge what their financial position will be by the time these matters have been satisfactorily resolved.

Given the continuing uncertainty as to how these matters will be resolved, the Board will give themselves the strongest position the sooner they can move to get the issues clear and open.

The Secretary of State looks forward to hearing from Sir Peter Parker this afternoon the outcome of the Board's deliberations.

SECRET



LCC JV

27 May 1982

## RAIL WAGONS FOR KENYA

Thank you for your letter of 26 May, in which you asked if it would be possible to reach a conclusion before Tuesday, 1 June, on the request for ATP support to help secure an order for freight wagons from Kenya.

I am afraid that it is not possible, for several reasons, to provide a final answer by that date. In the first place, the developmental case for this supply of wagons is still under consideration here in ODA and by our Development Division in Nairobi. Further information has had to be sought from Nairobi on some aspects and it may be some few weeks yet before a final conclusion can be reached. I understand that the DOT are in fact also awaiting revised costings from BRE-Metro, which were requested all of two months ago, and without these it is clearly not possible to conclude our investigations.

I would not wish you to think that this matter was being looked at with any lack of urgency. However, there has in the recent past been criticism in Parliamentary and other circles about our ATP operations in terms of their developmental justification and I have no option but to ensure that there is an acceptable case on developmental grounds for approving ATP support. The arrangements which have been set up for dealing with ATP applications among the Departments principally concerned are designed to ensure that this aspect as well as the trade and industrial arguments, including employment considerations, are adequately dealt with.

It is also of considerable importance to note that BR is not the only British competitor for this order. A private sector group (comprising Standard Wagons of Heywood and W H Davies of Mansfield) is also actively in the hunt and, on the basis of our latest information, may be more price competitive than BR. In the normal course of events, any ATP offer we made to the Kenyans would be conditional only upon the order being placed with a British contractor. It would therefore apply equally to both bidders in this case, if both were still in the field.

/It is



It is open to us - the initiative on this rests with the Departments of Trade and Industry - to back a single British competitor and such a decision would be possible in this case. But in so doing, we would need to recognise the potential difficulties for us in giving preference to a public sector organisation over one from the private sector.

Finally, we have to bear in mind that there can be no guarantee that an ATP offer from us would secure the contract for Britain. We and BR both know that a number of other countries are fighting very hard to break into the Kenya market and there are likely to be other very attractive overt and covert offers available to the Kenyan authorities. In other words, the existence of an ATP offer does not guarantee that a contract will necessarily be secured. I cannot see that it would be in their or our interest for their relations with their unions to be soured by the holding out now of what events might prove to be a false promise.

For all these reasons, I hope you can appreciate why we do not think it would be helpful for BR to pin all their faith on this case in their negotiations with the unions. I am copying this letter to the recipients of yours.

NEIL MARTEN

The Rt Hon David Howell MP  
Secretary of State for Transport







SUBJECT

Secret + Personal

c.c. below + J. Palmer,  
D/Transport

ser. 51.

17



10 DOWNING STREET

file  
Transport

From the Private Secretary

27 May 1982

SECRET AND PERSONAL

B/F

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THE RAILWAYS

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

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

/ Board

Secret + Personal



SECRET AND PERSONAL

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

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

/ The Prime Minister



SECRET AND PERSONAL

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

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

/stocks were



SECRET AND PERSONAL

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

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

Yours sincerely,

Michael Sobel

Anthony Mayer, Esq.,  
Department of Transport.

SECRET AND PERSONAL



CONFIDENTIAL



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Prime Minister (2)

MUS 26/8

The Rt Hon Neil Marten MP  
Minister for Overseas Development  
Overseas Development Administration  
Eland House  
Stag Place  
LONDON  
SW1

26 May 1982

See Neil

MF

#### RAIL WAGONS FOR KENYA

As you may know, British Rail are currently threatened with national strike action by the NUR because - among other things - of their proposals to close down their capacity for railway wagon building. BR's own requirement for wagons has fallen substantially in the last year or two, and for 1983 they have concluded that they can place no firm orders for wagon building. This represents a collapse in the work load - from a rate of about 1,200 wagons a year at present - for their factories at Shildon, Horwich and Swindon, and for Shildon in particular, where BR are the only major employers the social consequences for the community will inevitably be considerable.

These are problems that have to be faced, and there is little we can or should do. BR are actively seeking export work to try to spread the problem of a run down - or at least to give best evidence to the unions of trying to do so - and are currently awaiting a decision from Government on a request for ATP support for a wagon order for Kenya. I understand that this would in any case be coming to you for decision very soon. However in view of the tense industrial relations scene, and the fact that BR must meet their unions again on Tuesday, 1 June, I would like to ask if you could possibly reach a conclusion before then. It would clearly be very helpful to BR in a very delicate situation to

CONFIDENTIAL



CONFIDENTIAL

be able to say at that time that they had Government support for the Kenya order.

I am copying this to the Prime Minister, the Home Secretary, the Chancellor of the Exchequer and the Secretaries of State for Trade and Industry, and to Sir Robert Armstrong and to Mr Sparrow.

*Jan e*

*Jan*

DAVID HOWELL

CONFIDENTIAL



26 MAY 1982





SECRET AND PERSONAL

Qa 05934

To: PRIME MINISTER

26 May 1982

From: JOHN SPARROW

The Railways

1. As you requested, I attended a meeting at the Department of Transport at which the present situation was discussed with Sir Peter Parker, Mr Reid and Mr Rose. Subsequently the CPRS has been working with Department of Transport officials in an attempt to clarify the issues.

2. I have to say that in my judgement you cannot rely upon the British Railways Board (BRB) as presently constituted. When our discussions began, it rapidly became clear that they had no plan whatsoever beyond the end of next week and, even after considerable guidance, their latest paper still betrays an absence of any complete and coherent plan of action. It also reveals their inability to produce a straightforward statement of an industrial case, without some reference to the bargaining with Government which seems always to be present in their thoughts. Whatever firmness and resolution they claim, the fact remains that they appear soft-centred and liable to give way under pressure.

3. There is nothing you can do to change that state of affairs in the short term and I mention it simply to ensure that you assess the situation in some awareness of the weaknesses of the Board. In due course, you will appoint a new Chairman and his priority task has to be a major reconstruction of the management team. It will be necessary to pay proper salaries in order to attract the right people.

4. In the present problems, the Government has two goals. First, it wants BR to resolve as many of its problems as it can without endangering next winter's fuel supplies. Secondly, it wishes not to be seen itself to be directing affairs, though clearly BRB are

cc: J  
16  
1 Board - not-  
reliable.  
2 no plan or analysis  
3



*Refer closures BRB.  
Don't cont. stated pay  
offer.  
Pay only when set.  
conclusion is needed  
Delivery rather  
than  
promises.*

*←*

seeking firm guidance on the strategy to be adopted. In these circum-  
stances I agree with David Howell's view that the Government should  
back BRB in the course it prefers, which is to defer the question of  
workshop closures until next year.

5. However, there are still grave risks in the Board's approach,  
which seeks to isolate ASLEF by taking a softer line with the other  
unions. The Board's disinclination to take on the NUR renders them  
halfway to retreat before they begin, so it is necessary for the  
Government to concentrate its effort on putting as much backbone into  
the Board as it can. In particular, Government must ensure that the  
Board obtain worthwhile productivity concessions from the NUR as well  
as from ASLEF - and get delivery rather than merely promises.

6. It follows that you should:

- (i) maintain pressure on the Board to clarify in detail all aspects of their plan;
- (ii) persuade them if possible to accelerate their action;
- (iii) lead them to quantify and hence to minimise the costs involved;
- (iv) a crucial point - concentrate their minds on how to escalate matters at the first reasonable opportunity so as to minimise the risk of the crippling burden of paying NUR and TSSA members for 'working' in a closed railway.

*Well ok - no.*

7. The latest BRB paper omits all reference to the problem of  
early retirement and reduced establishment for staff. (TSSA members).  
I understand that this is because they see the way ahead here clearly,  
but I suggest that clarification should be sought on this point.

8. If it is agreed that the workshop closures can be postponed to  
1983 it will also be necessary to pin the Board to a firm plan for  
these closures. If it is accepted that six months' notice needs to be  
given (as BR claim) then that notice should be given as soon as it is  
believed that the danger of fuel shortage for this winter has passed.  
My own view is that, even if six months' notice is formally required, a  
combination of shorter notice and wages in lieu should be adopted,





SECRET AND PERSONAL

because the workshop closures, when announced, should be effected as rapidly as possible. The plan should reveal the Board's thinking on timetable and on redundancy payments.

9. Finally, I feel that the BRB paper and David Howell's covering note may under-estimate the impact of a major dispute on the railways. Even if there are no coincident problems on London Transport, a three month strike will create massive disruption to life in London, as well as to coal carrying. The pressures on the Board and Government will escalate after the first two to three weeks. It will also cause irreparable damage to the BR commercial business, so it would be worthwhile to ask BRB to start planning accordingly if the dispute shows signs of being lengthy. On the other hand, there is a chance that deferring the closures may result in short, sharp action this year, and a rather more serious conflict in 1983.

10. I am sending a copy of this minute to Sir Robert Armstrong only.

P.

ASLEF.

CONQUEROR



SECRET

NO 1 OF 11



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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

26 May 1982

Dear Michael,

THE RAILWAYS

Further to my Secretary of State's minute to the Prime Minister yesterday evening you might also like to know the position on improving the redundancy payments on the closure of the BREL workshops.

Ministers raised the possibility that opposition to the closures might be reduced and the position of the NUR Executive weakened if the redundancy payments were enhanced. It is certainly the case that redundancy payments in BR are low compared with what has been done in the docks and steel industry. A craftsman in BREL aged 55 after 40 years' service would receive a lump sum payment of £7,440. But the BRB are not seeking from the Government any support in improving redundancy payments. And their paper says that an offer to improve the payments would inflame, rather than allay, the attitude of the NUR, whose objective is to resist any reduction of the railway. Whilst it might be helpful to commission a further examination of possible improvements in the redundancy scheme, in case that would be useful later, my Secretary of State feels that there would be difficulties in thrusting on an unwilling employer changes that would certainly be very costly.

I am copying this letter to the Private Secretaries of those who received my Secretary of State's minute of yesterday.

Yours,

Anthony

R A J MAYER  
Private Secretary

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SECRET AND PERSONAL

P.0757

PRIME MINISTER

The Railways

INTRODUCTION

FLAG B

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

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

The BRB's latest assessment

FLAG A

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



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

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

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

#### The issues for Ministers

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

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





SECRET AND PERSONAL

to raise at tomorrow's meeting:

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

Further work

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

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

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

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





SECRET AND PERSONAL

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

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

HANDLING

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

CONCLUSIONS

9. You will want to record conclusions about:

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

*PLG*

P L GREGSON

25 May 1982





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COMBULEFOR

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LONDON

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BRITISH RAIL1982 - INDUSTRIAL RELATIONS

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

2. What issues will precipitate the conflict?

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

3. What are the likely timescales for possible conflict?

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

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

/Continued.....



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

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

4. Length of Confrontation

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

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

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

Costs of Confrontation

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

/Continued.....



5. Are there alternatives within Option 4?

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

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

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

6. Conclusion

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

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

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

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

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

7. Assessment of Likely Outcome

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

/Continued.....



7. Assessment of Likely Outcome (Cont'd)

The following factors are relevant:-

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

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

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

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



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

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



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

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



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

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



SECRET

25 May 1982

13

PRIME MINISTER

cc Mr Mount

BRITISH RAIL

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

Shildon and Horwich

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

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

The Board's approach

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

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

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

#### Conclusion

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

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

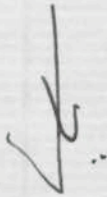
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mentioned, and the pay rise ought to be in low single figures; and

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



JOHN VEREKER

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*cc IV*

Prime Minister

*Workshop  
ASLGT=  
Pay.*

*Sheldon  
def. =*

*ASLGT - joint.  
Prod Pay.  
deferred  
but 2.*

THE RAILWAYS

The Immediate Future

The Railways Staff National Council (the top negotiating body) is to meet on Friday, 28 May. At it, the British Railways Board (BRB) will have to take a position on flexible rostering, pay, and matters outstanding from the 1981 productivity understanding. Workshops closures, which figured largely in our discussion last Thursday, would not be on the agenda at that meeting.

The BRB have written to the unions calling them to a meeting of the Rail Council (the top body for consulting on major policy issues) on Tuesday, 1 June. It is not certain that any or all of the unions will attend. If the meeting takes place, the Board would need then to take a clear position on the workshop closures. If that meeting does not take place, the Board would need to make clear their position on the workshop closures during next week.

The NUR has stated publicly that their Executive has decided to call industrial action unless by 7 June the Board have withdrawn their proposals for workshop closures, and made a pay offer. They have not said what form the industrial action would take, or when it would start.

The NUR Conference starts on 28 June, and lasts for two weeks. While the Conference is in progress, it is the decision making body of the Union, and the Executive has no function.

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The date on which the BRB judge that it is best managerially to impose flexible rosters on drivers, allowing a brief but reasonable period of notice, is 4 July.

### Options

I attach a further paper by the Board about the handling of the issues over the coming four weeks, the ground on which they would prefer to fight, and the possible outcome of a strike. The Board are naturally very concerned that circulation of this paper is closely restricted.

My discussion with Sir Peter Parker and his colleagues since our last meeting has shown differences in resolution amongst Board members, and some muddled thinking. It has elicited the Chairman's view that if he had an entirely free hand on timing, and no financial constraints, he would much prefer to isolate ASLEF from the other unions, take them head-on, and defeat them. It would be necessary to make major concessions meanwhile to the other unions to bring this about. But the costs of this option, in terms of money, acquiescence in delay and managerial credibility, are too high, and the Board does not have the freedom or resources to choose it.

So effectively the choice for the Board is -

- a. their option three - to concentrate the dispute on grounds of pay and productivity, while trying to push ASLEF into the front; or
- b. their option four - to fight the dispute on all the grounds including the workshop closures, which may push the NUR to the front and allow ASLEF simply to follow in their wake, but may have a better chance of bringing on the dispute two or three weeks earlier.

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Workshop Closures

In line with their preference for option three in their paper, the Board now envisage that they might defer for a short spell the issue on closures, ostensibly to seek export orders. There is in fact no prospect that BRB could win exports on a scale to keep Shildon and Horwich properly employed. The position they report is as follows. Kenya is seeking bids for an order for some 400 wagons, which would be awarded in the autumn. I think we should decide urgently whether to offer aid in this case, and I have taken this up with the ODA. This order alone would not justify keeping Shildon open, but would show evidence of Government support. Nigeria is also seeking bids for 950 wagons, the contract also to be awarded in the autumn. We could not contemplate extending aid to Nigeria, and if the Board are to bid for this order, they must do it on their own.

Whether to defer for a limited period the closures at Shildon and Horwich is now a tactical decision for BRB. They would defer the benefits of closure, and also the costs of redundancies. The only argument for deferment is that they will stand a better prospect of fighting the coming strike on clear ground, with the spotlight on ASLEF and productivity, and that the additional cost of deferring for a short time the workshop closures is worth paying for the better prospect it gives of a successful outcome for a major strike this summer.

I suggest we should make it clear to British Rail that we regard that decision as for them. The Board's present disposition is to defer the workshops' issue. The consequence could be a deferment possibly to 4 July of the beginning of the strike. I consider I should now press Sir Peter Parker yet again to see whether he can advance that date.

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Duration of Strike

There is no better view of the likely duration of the strike. The Board's paper says that it must be at least four weeks. In discussion they say it could be up to three months. I believe the latter estimate is more likely.

Aims and Objectives

The Board's paper also sets out their aims and objectives for the termination of the strike. I suggest that this is the main matter that we now need to consider.

The Board do not commit themselves to a view on the level of eventual pay settlement, which must form part of the terms for ending the strike. On productivity the general line of their thinking is to provide a relatively easy course for the NUR on the issues affecting them, and a very hard line, insisting on full delivery, on all the issues affecting ASLEF. This might perhaps in theory lead to agreement with NUR before ASLEF. But on the evidence provided by the Board so far I am not convinced that it is practicable or acceptable. It will in any event be an extremely difficult hand for them to play. The Board will need to keep in close touch with us on this aspect of their proposals and to develop their ideas more fully and clearly. We cannot, however, hold up matters for better particulars at this stage.

London

The latest report from London Transport is that the divisions between TGWU (who drive the buses) and NUR (on the Underground) have now reopened. This much reduces the risk of concerted action on buses and underground together. But, by the same token, it could increase the risk of action on the

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Underground being concerted with action on BR. LT have moved to reduce this risk. Because of the rate of wastage they have been able to assure the unions that they do not expect compulsory redundancies. They have also deferred their proposed timetable changes to 21 June. They believe the risk of concerted action between BR and underground workers is in consequence less than evens.

### Conclusion

I am confirmed in my view that Sir Peter Parker and his Board must now confront a major strike. They will effectitvely commit themselves over the next few days. We now have a better view from them of their plan, though it is still sketchy and in places obscure. I believe we must now back them to the hilt. A united and determined Board could now make major gains and we must reinforce them in whatever ways we can. If they cannot command our backing we must tell them now, so that they can withdraw: but I do not think we could ask Sir Peter Parker and his colleagues to accept the total loss of credibility that would entail.

I therefore recommend that I should now speak to Sir Peter Parker to the following effect:

- i. tactical decisions on workshop closures are for the Board;
- ii. we accept and support his conclusion that he needs to confront a major strike, with total shutdown of the railway; but he must start soon;
- iii. he should therefore examine again whether he can bring earlier than 4 July the imposition of flexible rosters for drivers;

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- iv. ( he must develop further the definition of his  
minimum terms for ending the strike, when he has  
seen the first reactions of the unions. )

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

*RAJ Mayer*

DAVID HOWELL

25 May 1982

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

**SECRET**



1982 - INDUSTRIAL RELATIONS

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

2. What issues will precipitate the conflict?

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

3. What are the likely timescales for possible conflict?

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

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

but we don't want this!



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

*Why can't it be earlier?*

Board advises R.S.N.C. on 28 May of its intention to implement R.S.N.T. 77 in respect of Flexible Rostering. There is a risk of immediate conflict with A.S.L.E.&F. but it is thought that confrontation would be deferred until depot rosters are posted by the Board at certain locations for implementation. This would probably be around 4 July.

4. Board confirms the B.R.E.L. preferred option for Works closures and enforced redundancies. The N.U.R., having already decided to oppose these proposals, would take industrial action from 14 June. C.S.&E.U., although traditionally more moderate, have issued a similar ultimatum (without timescale) and would undoubtedly follow the N.U.R. lead.

5. Board advises Unions at R.S.N.C. on 28 May that there can be no Pay Deal for 1982 until outstanding Productivity issues from 1981 are delivered. This leads to conflict in mid-June as described in Item 1 above.

4. Length of Confrontation

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

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

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/Continued.....



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

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

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

6. Conclusion

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

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

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

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

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

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

/Continued.....



7 Assessment of Likely Outcome (Cont'd)

The following factors are relevant:-

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

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

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

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



Option 2

CP N

2  
ISOL  
ASLE&F

ACTION

(a) At RSNC on 28 May inform ASLE&F that Flexible Rostering for Footplate staff to be implemented sequentially from 4 July, 1982.

(b) Offer pay increase of 'x'% from date 'y'. Outstanding 1981 Productivity items to pursued through procedure (RSNT if necessary).

(c) Inform TU's before 7 June of Board's decision to defer Workshop closures and rationalisation until such time as Government and BRB have fully investigated export opportunities.

PROBABLE CONSEQUENCES

(a) Possible official industrial action by ASLE&F from mid-June; certain action from 4 July; unofficial action possible 29 May onwards.

(b) and (c)  
Unconditional pay offer and easement of BREL position placates NUR and effectively isolates ASLE&F.

COSTS (NETT WORSEMENT)

(a) £25m. per week unless escalates to total closure, then £5.8m. per week.

(b) Delay on productivity items £35m. p.a. \*

(c) Reduced overheads not realised £18m. p.a.  
Surplus workforce £6m. p.a.\*

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



Option 3

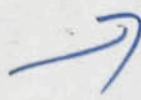
OPT      ACTION      PROBABLE CONSEQUENCES      COSTS (NETT WORSEMENT)

3  
EASEMENT  
OF BREL  
ONLY

At RSNC on 28 May inform  
(a) ASLE&F that Flexible  
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staff to be implemented  
sequentially from  
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(b) Offer pay increase of  
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all six of 1981 Productivity  
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agreed.

(b) Provide Unions with united  
front; may lead to co-ordinated  
joint action, from mid-June.

(c) Inform TU's before 7 June  
of Board's decision to defer  
Workshops closures and  
rationalisation until such  
time as Government and BRB  
have fully investigated  
export opportunities.

(c) At best, cause re-think by  
NUR on industrial action or  
referral to Annual Conference;  
would isolate any NUR action to  
pay only, with likely delay  
until after Conference  
(i.e. mid-July).

(c) Reduced overheads not  
realised £18m. p.a.  
Surplus workforce £6m. p.a.  
(approx.)

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

Strike  
£1k - 0 +  
No cash - not in our interest



Option 4

OPTION

ACTION

PROBABLE CONSEQUENCES

COSTS (NETT WORSEMENT)

4  
STAND  
FIRM -  
NO  
EASEMENT

At RSNC on 28 May inform  
(a) ASLE&F that Flexible  
Rostering for Footplate  
staff to be implemented  
sequentially from  
4 July, 1982.

(b) Offer pay increase of  
'x'% from date 'y' provided  
all six of 1981 Productivity  
items have implementation  
agreed.

(c) No change in Board's  
position on BREL workshops  
closures and  
rationalisation.

(a) Possible official industrial  
action by ASLE&F from mid-June;  
certain action from 4 July.  
unofficial action possible  
29 May onwards.

(b) Provide Unions with united  
front; may lead to co-ordinated  
joint action, from mid-June.

(c) Ensures NUR action, from  
14 June.

(a) £25m. per week unless  
escalates to total closure,  
then £5.8m. per week.\*

(b) and (c)  
Assuming total closure as a  
result of combined actions =  
£5.8m. per week.\*

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





CF

10 DOWNING STREET

THE PRIME MINISTER

25 May 1982

Dear Sir Peter,

It was good of you to send me a copy of the recent ASLEF Presidential Address.

This makes very depressing reading. If only the effort which - quite inappropriately and unnecessarily - goes into staking out a political position were to go into improving and modernising the railway!

Yours sincerely  
Raymond Shafter

Sir Peter Parker, M.V.O.

—

DS



SECRET

11

PA  
MR. SCHOLAR

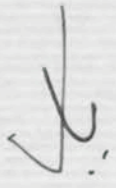
cc Mr Mount

BR

We discussed briefing for Prime Minister's Questions this afternoon on BR. You should I think see the attached record of yesterday's meeting between Mr. Howell (supported by Mr. Sparrow) and Sir Peter Parker. It does not take us a great deal further forward; indeed in some ways it takes us backwards, because the Board's enthusiasm for taking on all the unions at once is clearly less than ours. You will note the way in which "help with Shildon" (ie Government help) is becoming an increasingly central issue.

In the light of all this, I think that the Prime Minister ought to take the opportunity, if it is presented at Question Time, to increase public awareness of the need for rapid implementation of cost saving measures as a precondition for any of the other aspirations of the unions. We agreed that this should be done without the Prime Minister being committed to any particular proposal, such as the closure of Shildon. A possible form of words might be:

"The handling of these issues is for the BR Board, within the financial constraints established by the Government. The railways are a loss-making industry, and improved working practices and greater efficiency must be achieved quickly."

  
J.M.M. Vereker  
25 May 1982

SECRET



NOTE OF MEETING ABOUT BR INDUSTRIAL RELATIONS

24 MAY 1982

*ms*

Present

Secretary of State

Sir Peter Parker

Mr Sparrow government

Mr Eyre

Mr Reid

Mr McKenzie ; and the

Sir Peter Baldwin

Mr Rose

Mr Lazarus

Mr Palmer

Mr Mayer

*urgency of getting in with a strike does not seem to be properly understood.*

*MCS 25/5*

1. The Secretary of State said that the options paper produced by the Board on 19 June had been very helpful. He and his colleagues had recognised the arguments that had taken the Board to their proposed Option 4 and in principle were ready to back the Board on their chosen course. Against this background he wanted to re-emphasize however that there was no prospect of the Government offering any advance commitments on future investment by the Board.

2. To be prepared for the possibility of a major strike the Government needed to look at BR's proposed tactics in detail and to be clear as to what they entailed.

3. There were three major areas he wanted to explore at the meeting. The first was timing. If there was a strike, how would it start and when would it start? How long was it likely to last? What thoughts had the Board about ensuring that things moved quickly? Would the meeting of the Rail Council on 1 June bring matters to a head? If the strike was about pay rather than the imposition of flexible rostering, how would that happen? And if it was about pay, how could the Board prevent the pay issue from being taken to RSNT?

*good*



4. The second issue was the presentation of the issues at stake both to the unions and to the public at large. He and his colleagues appreciated the case for going for Option 4. This would however involve taking the Shildon closure issue head on. His own view was that the more any fight could be about flexible rostering and Bedford-St Pancras rather than Shildon, the better. There was no question of suggesting that BR should climb down on Shildon. The point was that in presentational terms it was important not to put Shildon at the forefront. Was it possible for public support of the NUR position on Shildon to be eroded through <sup>banker</sup> redundancy terms? Was it possible to get any major export orders to provide at least an extension of work at Shildon?

5. The third issue was how would the strike end. Last week Sir Peter Parker had suggested that the most probable way to secure a conclusion was through attrition. What was the room for making a pay offer at the end of the strike? What sort of terms would BR envisage as acceptable for an eventual return to work? Would, for instance, a low single figure pay settlement in exchange for specific agreements on new working rules do the trick? And what face-saver might there be for the unions?

6. Sir Peter Parker said that of the three issues the first to consider was how the strike might be concluded. What did the Board want to achieve? The Board's Option 4 in their paper of 19 June was the logical way forward. But it was very risky. It would unite both ASLEF and NUR. But they were entirely different in their whole approach to industrial relations. It made the outcome of going for Option 4 extremely unpredictable. If having gone for Option 4 there was a short strike, then after it the Board would revive their balance sheet of change approach and generally try to continue the progress being made before the strike to get a cost effective and modern railway. His own feeling, however, was that Option 4 would lead to a long strike lasting two or three months. Given the

implementation  
of X

SECRET



SECRET

enormous differences between the attitudes of the NUR and ASLEF there could even be two ends to such a strike. There could well be some sort of compromise with NUR. But with ASLEF there might well be a fight to the finish. Ideally his own view was that BR should be fighting NUR and ASLEF separately. But BR did not now have the funds to do this.

7. Mr Rose said that the timetable of any strike would depend very much on how the issue of the closure of the BREL workshops was handled. There were two possible face-savers for the NUR. The first was a delay to BR's plans to close the Sildon and Horwich works and the second was an expression of confidence by the Government about the future of the business, through general commitments for further investment.

8. The timetable for Option 4 started on Friday, 28 May with the meeting of the RSNC. The Board were considering two options to put to the unions. The first was that there would be a pay offer for 1982 only when the unions had delivered on their 1981 productivity commitments. The second was to make the unions a substantive pay offer but tell them that it would not be paid until the 1981 productivity commitments had been delivered. There might be just a general discussion at the RSNC leaving matters to be brought to a head on 1 June at the meeting of the Rail Council.

9. Whatever happened ASLEF would be told that new rosters were going to be posted as from Sunday, 4 July in line with the recommendations of the McCarthy report. It would not be possible to bring the flexible rostering issue to a head much before then without giving everyone the impression that the Board were spoiling for a fight. In other words local depots at least had to have the chance of considering the Board's proposals and ironing out any particular practical problems on the new rosters.

no, because  
the it goes  
to delivery.

SECRET



10. With the NUR the situation was more complicated. If BR climbed down on BR workshop closures, then the NUR might defer threats about striking until their conference at the end of June. If, however, the Board maintained their present line on the BR workshop closures, then it was likely that at their Executive Meeting on 7 June a decision would be taken to ban overtime and to go for other guerilla tactics in the period leading up to the NUR conference. Only at the conference would any decision be taken on whether or not to go for an all out strike.

11. Mr Sparrow asked whether it was indeed possible for BR to control the timing of events on industrial action. If there was an element of control, what timing would in fact BR prefer?

12. Sir Peter Parker said that he would like to move as fast as possible with ASLEF. Imposing flexible rostering as from 4 July would almost inevitably lead to strike action by ASLEF immediately thereafter. The position with NUR was different. He was still balancing the options on what to do. If there was a move on Shildon by the Board, then it might be possible to hold off from a battle with NUR for some time. He recognised there was a political interest in bringing matters to a head very quickly on all fronts. But from a business point of view it would be much better to hit ASLEF alone. A successful dispute with ASLEF would, he was sure, make it much easier to bring NUR along on their productivity commitments.

13. Mr Sparrow said that as he saw it the essence of Option 4 was that a pay offer would only be made when progress had been made by the unions on all the outstanding productivity commitments of the 1981 pay round. Would a statement to the effect precipitate industrial action immediately?



SECRET

14. Mr Rose said that such a statement would precipitate industrial action immediately, especially if there was no softening up by the Board at Shildon. But as Sir Peter Parker had just said the industrial action taken immediately was more likely to take the form of an overtime ban which would be difficult for the Board to counter.
15. Mr Sparrow said that if the tactics preferred by the Board were to separate ASLEF and NUR, then this seemed to be more like Option 2 than Option 4. He could see that, if this was the favourite option, there was a case for softening on Shildon. But this in turn brought the risk of not giving BR the savings they needed so badly and of industrial action by the NUR soon after the end of the industrial action by ASLEF when issues were brought to a head with NUR.
16. Sir Peter Parker said that the snag with Option 2 was that it did not go far enough. He still wanted to make very quick progress on productivity with NUR. His own view was that this could be done by dealing with ASLEF separately and first.
17. In sum, it would be preferable to go for Option 4 in two stages dealing with ASLEF first. If, however, the Board had no assurances that there would be help with Shildon, then with BR's finances in their present state the Board would have no choice but to go for Option 4 immediately. The consequences of doing this were going to be an inevitably long and major strike with all the unions. BR would throw away all the progress that had been made with NUR in recent years. Any propaganda battle with NUR would be extremely difficult to handle. They would inevitably say that they had co-operated at all stages with BR, had been held up by the ASLEF dispute on the outstanding productivity issues, and that despite all the help had received nothing by way of commitments from Government on the future of the railways. The Labour Party and the TUC would also

SECRET



join in on NUR's side. All in all despite his own personal preferences he felt that Option 4 being imposed immediately was the only choice open to the Board in its present financial position. Any other option would need the express co-operation of the Government.

18. Mr Sparrow said that for the Government to reach a view on BR's proposals for the handling of the industrial relations issues facing it, they would need more specific advice from the Board. What issues would precipitate a conflict with the unions? When would these issues come up? How long would a strike last? What were the costs likely to be of such a strike for the Board both in financial and other terms? What other alternatives to Option 4 would the Board like to consider? What would the cost of such a package be? And what contribution would the Board require from the Government? The Government wanted to back the Board but needed to know more to be able to understand what the Board was seeking to achieve. It was vital that BR were committed to their chosen course.

19. The Secretary of State said he would appreciate a note from the Board about the implications of the three basic possibilities. The first was Option 4 with the unions reacting by calling for industrial action as from mid-June. The second was Option 4 but with a promise to consider the NUR representations on Shildon further. This would lead to an ASLEF strike over flexible rostering as from 4 July and probable NUR all out action after its conference which ended in the first week of July. The third was Option 4 split into two stages by the Board deferring action on Shildon.

20. Sir Peter Parker said he would appreciate a clear view from the Government as to whether it was prepared to take the strain on Shildon, that the operation of Option 4 could not be done without Government assistance. That said he was sure it was the best way forward.

21. It was agreed that there would be a further meeting on Thursday, 27 May.

*R A J Mayer*

R A J MAYER  
PS/Secretary of State

21 May 1982



SECRET



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

24 May 1982

Michael Scholar Esq  
PS/PRIME MINISTER  
10 Downing Street  
LONDON  
SW1A 2AA

MCS

*Dear Michael*

THE RAILWAYS

At Thursday's meeting to discuss the latest position on the railways, Ministers gave general support to Option 4, the Board's preferred option, but felt that they needed to know more of the management's thinking about the probable course of events when industrial action had begun and about the tactics which might be adopted to bring it to a satisfactory conclusion. Your letter of 21 May to Anthony Mayer commissioned future work on this in preparation for a further meeting to consider how the Board would handle the issues, to what effect and at what cost.

2. The Chancellor thinks that it would be helpful if this work, which will presumably be handled in MISC 72, could cover the following points:-

- (i) a clear statement of the Board's objectives in handling these pay and industrial relations issues;
- (ii) under option 4 (assuming a piecemeal approach is no longer a practical option in view of the NUR's reported attitude) :-





- (a) what length and type of industrial action would be involved and how far it would meet the Government's requirements on timing;
  - (b) what the cost would be, both on BRB's finances in the short term in relation to the present constraints and on BRB's longer term revenue earning capacity;
  - (c) what action could management take during a strike to bring it to a successful conclusion;
  - (d) what action could management take to withstand industrial action and keep services running (eg in relation to the NUR threat to take out signalmen);
  - (e) how would the Board handle any reference to McCarthy during a strike;
  - (f) what is the most/least this course might achieve in relation to the objectives under (i) above including an assessment of its impact on the prospects of a more sensible financial and industrial relations regime in the future.
- (iii) the wider cost of option 4 including, as well as the impact on BRB, the potential cost to other industries eg BSC, NCB and ESI, bated in part on experience with ASLEF dispute earlier this year.

All these points, except those at (ii) (d) and (iii) are covered by the terms of your letter recording the 20 May discussion. The Chancellor believes officials in MISC 72 should be asked to report on these two additional points.



SECRET



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

*Yours ever,*

*Peter*

P S JENKINS

CONQUEROR





2-2-4 MAY 1962



CONFIDENTIAL



016

# British Railways Board

Sir Peter Parker MVO  
Chairman

cc: O/Transport  
Mr. Vanehal  
✓ 25/5

24th May 1982

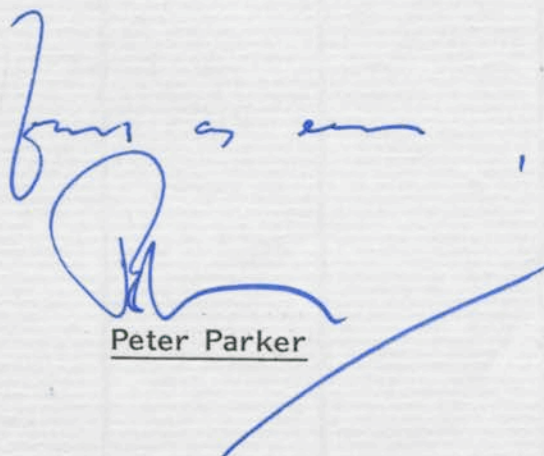
The Rt. Hon. Margaret Thatcher, MP.,  
No. 10 Downing Street,  
LONDON S.W.1.

Dear Prime Minister,

With the even more extreme form of piracy that you are dealing with immediately, this speech by the President of ASLEF is secondary stuff. But I did feel it would be worthwhile, when you have a moment, to see the quality of the opposition that we are facing in the ASLEF Executive, heavily dominated from the Left, and led by a President who sees his role in political terms.

The damage that ASLEF is doing to our customers, and indeed to the whole thrust of the modernising of the railway, is formidable.

The point of sending you this speech is simply to show the thoughts and the forces at work (if that is the word) in the mind of the ASLEF leadership. We are on the attack against this maddening intransigence, and whatever the duration of the war, we will win.



Peter Parker



NOT FOR PUBLICATION BEFORE MIDDAY  
TUESDAY 18 MAY 1982

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ASSOCIATED SOCIETY OF LOCOMOTIVE ENGINEERS AND FIREMEN

P R E S I D E N T I A L   A D D R E S S

by

MR D F FULLICK (WATERLOO)

AT THE OPENING SESSION OF THE ANNUAL ASSEMBLY OF DELEGATES - LONDON

18 MAY 1982



ASSOCIATED SOCIETY OF LOCOMOTIVE ENGINEERS AND FIREMEN

P R E S I D E N T I A L   A D D R E S S

by MR D F FULLICK (WATERLOO)

AT THE OPENING SESSION OF THE ANNUAL ASSEMBLY OF DELEGATES  
ASLEF HEADQUARTERS LONDON - 18 MAY 1982

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Fellow Delegates

It is a pleasure and a privilege to welcome elected representatives to the 1982 Annual Assembly of Delegates. I do so in the knowledge of the responsibilities that we must all shoulder in debating and reaching decisions on crucial matters which are very much in the forefront of the minds of the members whom we represent and will profoundly affect their livelihood and wellbeing.

Delegates of the Society's membership have assembled today at a time of crisis in our national and international affairs. In the past month the British Government has taken up the military option and committed our country's armed forces to battle in the South Atlantic and at home the reactionary administration of Margaret Thatcher has declared war on the Trade Union Movement.

Events of recent times have enforced our knowledge that the Government's policies are based on 19th Century precepts with the Employment Bill, drafted not in order to improve industrial relations but as a key weapon to attack the Trade Union Movement.

The incompetence of Government Ministers in failing to act on information that an invasion of the Falklands was imminent brought us to war with Argentina, with the inevitable loss of life and sacrifices by so many involved in the conflict. The action of the military junta should have been foreseen and whilst



it must be condemned, our Movement must continue in its endeavours to bring peace and ensure that the rights of the Falkland Islanders are paramount in seeking a just solution.

This is not the time for inquests, though they will come later, but it should be borne in mind that when the Argentine Government took up a military option it was faced with internal political strife. That state of affairs was not dissimilar to that facing the British Government. Students of history will know that many unpopular regimes have been sustained by artificially created waves of patriotic fervour. So the Labour Party leadership was correct when it refused an invitation to be briefed on events in order that its voice of criticism could be stifled by Privy Council responsibility.

There can be no just and lasting solution through the use of military force and it is imperative that the Trade Union and Labour Movement should speak out and act in order to highlight the Tory war hysteria which is little more than a diversion from the real problems facing the British people. The Scottish Trades Union Congress has given a lead by calling in question the policies being followed by the British Government. A unanimously adopted resolution said that any settlement must safeguard the citizenship rights of the Falkland Islanders and emphasised the key role which the United Nations must play in the negotiating process.

Our Government has turned to others for aid but we must be wary that it does not put our nation's future in hock.

A lack of foresight led to the Falkland crisis and it is, therefore, necessary to question whether the British Government has taken account of the options open to us when hostilities cease. So many military ventures have floundered on over stretched resources and intolerably long supply lines. If victory is achieved, will we maintain a permanent and adequately equipped base some 8,000 miles from home? The price would be high and Government policies may not be entirely dissociated from the interests of investment in multi-national companies, so we must be careful not to sacrifice



our social services and the welfare of our community in order to advance the interests of those who do not live or work in either Britain or the Falkland Islands.

History never exactly repeats itself but there are some parallels with the last occasion that Britain went to war, in order to regain control over the Suez Canal. There is a remarkable similarity with the press hysteria at that time and the same newspapers that were stoking up patriotic fervour are today resorting to popular jingoism.

Following the Suez debacle our defence strategy was rethought and the 1957 Defence White Paper propelled Britain into the hideous nuclear missile game. So we must bear this in mind and ensure that when peace is once more firmly restored we do not move away from our commitment to nuclear disarmament and the removal of nuclear bases from British soil.

The last twelve months have been the emergence of what has been suggested as a new force in British politics, namely the Social Democratic Party. But it is a party whose leadership is made up of political mavericks. They profess a commitment to social justice whilst turning their backs on Socialism. It is a party without a base and has in its ranks a number of former Labour Party colleagues who have not had the political will or stamina which is necessary if we are to achieve a more just society.

But do not let us shed tears for what they have done, as we should all rejoice in the knowledge that the Labour and Socialist cause will be better served by their defection. The Movement's ranks have been purged of those who may well have hindered progress and turned the Labour Party away from its goal of Socialism.

Unemployment in Britain continues to mount. It is now at crisis level



with those registered as being out of work exceeding 3 million but the true figure is far in excess of that number. What greater indictment can there be of monetarist policies than the fact that there are now more people out of work than at any time since records began in 1886.

Many workers are on short time and the number of working hours lost when added to the registered unemployed gives an overall job shortage of over 4 million. Unemployment has hit virtually every section of the population and none, apart from the very rich, has escaped. In some areas the rate has reached as high as 74% and even in the comparatively affluent South East Region, in some areas 42% are unemployed.

The misery and hardship of those without work is not confined to a decreasing standard of living because long-term unemployment brings with it degradation and a growing realisation that the community no longer has use for skills which have been so painstakingly acquired.

The misery and hardship of unemployment can only be fully understood by those unfortunate enough to have had first hand experience but more and more people are now gaining that experience with 1 in 4 of the unemployed being without a job for over a year. Half of those who have been unemployed more than a year are over 55 years of age. In the past they have served our nation well but to our present Government they are little more than a number in a statistic. It should also be borne in mind that 1 in 4 of the long-term unemployed are under 25 years of age and yet our reactionary administration with its allegiance to monetarism has provided little of constructive benefit to encourage those upon whom our country must depend in the years ahead.

Associated with the young and old as particular vulnerable groups are the ethnic minorities who have made Britain their home, so often through the encouragement of Governments who stimulated them to come to Britain in order to serve industrial interests.

With such a background it should have come as no surprise when social unrest manifested itself in so many of our cities during the summer of 1981. Discrimination, lack of purpose and the indifference of a Government which



had turned its back on social welfare, brought rioting to our streets. Yet it was a Government professing a commitment to law and order which created the conditions which led to social unrest and lawlessness in many of our inner cities.

The Government believes that a vast pool of unemployment will decrease the power of the Trade Union Movement and profit the multi-national companies but it has created a ground-swell of social unrest and bitterness with further street violence an inevitable consequence of the Government's indifference.

The Manpower Services Commission estimate that unemployment costs the tax payers well over £4,000 a year for each person who is out of work and the total bill for 1981 amounted to £12 billion. This year that bill is likely to rise to well over £14 billion. So any Government attempt to cut public spending and reduce borrowing must be self defeating. Every cut that is made reduces production and pushes more into the dole queue.

No final solution will be found to the problem of unemployment until there has been a redistribution of the nation's wealth. Stress has been laid on the very wide disparity between that small number of people who hold such a large proportion of the nation's assets and the vast majority who are dependent upon them, often for the right to work. We must, therefore, be working through all means at our disposal to ensure that the next Labour Government introduces legislation in line with the decisions made at the Party's Annual Conferences. It is only by effective monetary control and the redistribution of the nation's wealth that conditions will be created for full employment.

It is not desirable nor is it the purpose of a Presidential Address of Welcome to make comments which will influence discussion to come. Within the Executive Committee Report is a section which deals with the Trades Union Congress's campaign against the Government's Employment Bill, which will undoubtedly shortly be transcribed into an Act and placed on the Statute Book.



But I am certain that I am not being contentious or influencing the debate to come when I re-emphasise that the Tebbit Bill is nothing more than a deliberate attack on the Trade Union Movement and that it was designed with the objective of reducing trade union effectiveness. Our Movement is not seeking confrontation but it must be made clear that trade unions will not flinch from battle in order to resist the imposition of iniquitous legislation. The Tory Party has no desire to improve industrial relations and the Bill is merely an attempt to shackle unions and make them ineffective in the defence of their membership.

I am certain that the campaign which was mounted against this Society during its dispute with the British Railways Board was a prelude to action which will embroil the wider movement during the months ahead. From comments made it became clear that there was a growing realisation of this fact amongst many trade unionists and it is therefore a pity that a few national trade union leaders could not set their sights beyond the narrow confines of parochialism.

The TUC is marshalling and co-ordinating the efforts of affiliated trade unions in order to resist the reactionary legislation. None in our Movement should stand aside because the dangers inherent in the Bill are clear for all to see. As the TUC itself has said, if trade unionists have any doubts about the present Government's hostility, then surely they must have been removed when the Bill was published in January of this year. The Government is proceeding step by step in its determination to weaken and break the power of the Trade Union Movement and the Bill is specifically designed to deplete the effectiveness of unions to organise and negotiate on behalf of their members. The measures provided by the Bill have been constructed in order to financially weaken our movement. But whilst we must be resolute in our determination to organise effective resistance, we must be on our guard. Make no mistake, those who hold sway in our Courts will have the power to impose damages which, if accepted without challenge, could financially cripple the Trade Union Movement.

...../Z



Our Union has accepted and indeed endorsed the action of the TUC in proposing that the General Council be empowered to impose on affiliated unions a levy in order to establish a campaign defence fund to meet the financial demands arising from the proposed legislation. It is right that should have been done but let us not believe we can meet the levy and rest comfortable in the knowledge the TUC has the power to safeguard its affiliates' interests.

Trade unionists are law abiding citizens but that does not mean they will be subjugated by discriminatory legislation. Civil disobedience is a form of popular protest which has not found a great deal of favour in the past but it is action to which we may have to resort, because there comes a time when unfair laws impose unacceptable burdens. The right to organise and negotiate freely are basic liberties which have been gained by the struggles of our predecessors and when such freedoms are threatened by laws of deliberate intent, then we must as trade unionists be prepared to stand and be counted and unflinchingly meet the challenge.

As I have said, the defence fund is a necessary part of our campaign but we must ensure that the TUC does not merely become a collecting agency for the payment of fines. There are other and more direct ways to ensure justice. We must make it perfectly clear from the outset that if one of our colleagues should be committed to prison, the total trade union movement should use its combined industrial strength in order to secure the release of those imprisoned for upholding basic human rights.

There must be no standing aside by any within the Movement as unjust and unacceptable laws must be resisted, as must the Government's attempt to turn the clock back to a time when workers were forced cap in hand to their employers.

Transport in our Capital has already fallen victim to our country's legal processes. A Socialist administration was elected with a clear mandate to change the structure of London's public transport services and to bring order out of chaos. Transport policies advocated in a manifesto and later



introduced are commonplace in many major cities on the continent of Europe.

Nearly every principal city in the world recognises that a cheap, efficient public transport service is essential to its well-being, in order to get people to work, to school, to friends, to the shops and home again. Those cities spend generously in subsidising services. Public transport subsidies in New York and Brussels, cities not known for their adherence to Socialist policies, provide subsidies of 72% and 70% respectively. The subsidy for Milan is 71% and that for Paris 56% and London with its "Fares Fair Policy" was only providing 46% at the time of the Law Lords decision.

But Tories in our midst, who are selective in their adherence to democracy, went to law and the judiciary in the House of Lords judgment upheld a Court of Appeal decision which invalidated the budget necessary to implement the cheap fares policy. The Law Lords produced a judgment based upon an interpretation of a Parliamentary Act. So I pose the question, where should power lie? Through the ballot box or in the hands of a small number of appointed people?

It is sometimes said that those charged with the responsibility of administering the legal process are divorced from the realities of life. Whether that is true or not I do not know but I am aware of the fact that very few, if any, of those who hold high judicial office had personal experience of the working class movement during their formative years. So let us be in no doubt that any necessary interpretations and applications of the proposed legislation contained within the Employment Bill will not be conditioned by first hand experience of trade unionism.

Delegates, you have before you within the Report of the Executive Committee, a comprehensive statement on the developments which have taken place and the campaign it is proposed should be waged against the Law Lords decision which will lead to London's public transport subsidy being reduced to 12%.

Trade Unions with members employed by London Transport have taken



steps to organise and co-ordinate a campaign as part of a commitment to an integrated and co-ordinated transport policy. The effectiveness of the "Day of Action" on 10 March, when there was a total shut-down of London Transport services, demonstrated the determination of trade unionists to defend their rights. So we must not weaken from our commitment to that campaign and there is no doubt in my mind that the delegates to this Annual Assembly will re-affirm our Union's allegiance to the attaining of a national integrated transport system.

The evil hand of monetarism was clearly evident in the recent dispute on British Rail. The Rail Board's approach to productivity is conditioned by an obsession to shed staff without thought for the long-term consequences of such action on our industry, the nation's broad transport policy, the staff who leave and the staff who remain. In our evidence, the Railway Staff National Tribunal was told that if British Rail's estimate of a loss of about 4,000 posts is correct, the cost to the country of keeping those 4,000 people fed, housed and clothed on the dole will be in excess of the comparatively trivial savings British Rail hopes to achieve.

Our membership was pilloried for the action that it took. But it is a sad reflection on trade union principles that individuals within the wider movement by their public utterances ably assisted the well orchestrated campaign of hate which was being directed through the capitalist press towards all those within our ranks. Now the workshops of British Rail are threatened with closure and whilst we are being blamed for the loss of work, it is the industrial recession, enhanced by Government policies and cutbacks, that has led to the decline of railway business. It is now, rightly, being very firmly said, by other trade unionists, that industrial action will be taken in order to preserve the jobs of those threatened with redundancy and I would not criticise any Union for that.

The tide of British Rail is now running at a low ebb and the Chairman of the Railways Board, seeking to divert attention from his political paymasters, quickly sought a scape-goat from outside management ranks. In his report for 1981, the Board Chairman said that it was the ASLEF strikes which had disrupted the industry's progress of recent years but that he was not deterred from the objective of modernising the railway system and to give better value for money by being a competing railway. But the Board and the Government should take



note that our Union will never be a party to any competitive arrangement whereby workers are required to subsidise an essential industry and necessary social service in order to reduce costs. Let the burden of taxation fall more heavily on those who are well able to make a greater contribution to our ailing industries.

In his Address to the 1981 Conference, the then President of the Executive Committee made reference to the need for increased investment, saying that without it, 3,000 miles of track are in danger of being condemned on the grounds of safety by the year 1990. It was in May 1980 that Parker warned the Government that if the current level in investment is continued for a decade, then it would bring the gradual collapse of the railway network, with track becoming unsafe and increasing failures in the signalling system. The watershed year is stated as being 1983 and if major expenditure on replacement is not started by then, the inevitable consequences would be a rapid rundown of the whole railway system.

In a recent article in the "Observer", Robert Taylor stated, "The omens are not good for British Rail. A new Cabinet Committee of hardline Ministers to cover the nationalised industries was formed recently. Mrs Thatcher is Chairing it and she has Parker and the railways firmly in her sights."

So it is significant that on 31 March, Mr David Howell, the Transport Secretary announced in the Commons the decision to cut the level of public support to the railways over the coming year. The public service obligation has been fixed at £15m less in real terms than in 1981 and some £81m less than British Rail had sought. The British Rail response to the Minister's decision was "tough but manageable". That comment has been referred to as diplomatic. Surely the time for diplomacy by the British Railways Board in its approach to the Government should be at an end.

British Rail Management should be taking a firm stand, not against the Unions but with those in Government who appear to be determined to disband our industry by attrition, despite assurances previously given that there was no intention to reduce the size of the rail network. It may well be, though, that the flaccid comments were conditioned by a desire to shed staff at lower levels and retain the managerial ranks intact.



One victim of British Rail's lack of funds is the much heralded Advanced Passenger Train which is to be abandoned for the time being because too many faults have developed. The revolutionary design could well have transformed British Rail's financial prospects and its successful introduction to service would have enabled far higher speeds to have been achieved, without huge investment in new track. But shortage of funds delayed its introduction and now appears to have led to its abandonment. A short sighted policy, which will undoubtedly have an adverse affect on the future business of British Rail, as will the decision to close that vital electrification link over the Pennines, the Manchester/Sheffield/Wath line.

Delegates, the Executive Committee has placed before you a detailed and comprehensive report on the events which culminated in the Railway Staff National Tribunal taking evidence from the parties to the Machinery of Negotiation on 15 and 16 March of this year. The solidarity of our membership in its industrial campaign with 17 days of strike action was an outstanding demonstration of the determination of locomotive staff to resist the imposition of unworkable practices.

By its resolution, the present generation of footplate staff has shown that it is fully prepared to fight for trade union rights as did its predecessors. So the BRB must, if it wishes to run a successful industry, not delude itself because the strength of feeling which exists in our ranks will again be transformed into action should the need arise.

I make these comments in the knowledge of what is contained in RSNT Decision No 77. The Chairman of the Board does not have a full understanding of the duties of staff who work in the footplate line of promotion because if he did, he would have a greater appreciation of the reasons for the solidarity of those who make up the membership of ASLEF.

ASLEF did not need a closed shop agreement to enrol within its ranks 98% of those eligible for membership, a higher proportion than at any time in the past. Footplate staff need specialist representation in a job which is demanding in every sense of the word and the Chairman of the Board would serve his industry better if he took account of the reasons for those facts.



The findings of the members of the Railway Staff National Tribunal as set down in their Decision No 77 ran to over 50 pages and it was stated at the outset of the Decision that the members of the Tribunal considered it to be the most difficult reference that they have had to deal with since their involvement with the RSNT. It was further said that it was the most complex and far reaching since Decision No 42 which was published in 1974. Yet, underlying the Tribunal's decision is Government policy and it is interesting to refer to what is set down in Paragraph 120, namely:-

"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."

I do not want in this Presidential Address to make comment which may influence debate to come. The Tribunal in its recommendations has set out safeguards and criteria to be observed when the parties negotiate more flexible rosters at national level. But regardless of safeguards, there are two major principles involved which, if given up, would not be compatible with past Society policy, namely the relinquishment of the guaranteed eight hour day and an extension of single manning to turns beyond eight hours. The Executive Committee had these principles firmly in mind when it rejected Decision No 77 as totally unacceptable and it will now be for delegates to pass their own judgment on the recommendations which have been made.

During recent months there have been major developments in the industrial relations field. I have commented on the Employment Bill and there is no doubt that the approach of Management to industrial relations has been conditioned by the Government's policy of confrontation. A former Conservative Government placed on the Statute Book the Industrial Relations Act in an attempt to make collective agreements legally enforceable and it was drafted on the false premise that it was only trade unions which resorted to such measures. But as we know from our own experience on the railway industry, it is Management who wish to discard negotiating procedures if they do not suit their purpose and it was of deep concern when reports were being carried in certain sections of our national press that if the Tribunal did not award



in the Board's favour, then Railway Management would take action to discard arbitration as well.

Surely the solidarity of our membership during the period of industrial action will have now convinced the Railway Management that provocation should have no part in industrial relations. Our membership was unflinching in its support of the action instituted by its leaders and that is all the more commendable because of the unprecedented campaign waged through the media to discredit our Union. The considerable resources of the Press and Publicity Department of the BRB were used to influence public opinion. Inaccurate reports and misleading advertisements became the stock in trade of our national press and some waged a personal vendetta against our General Secretary.

Within this Office there are nine large files which contain the public correspondence and bear testimony to the hate which was aroused. Press freedom was abused and reporting was not in keeping with the National Union of Journalists' code of conduct which says "That a journalist shall strive to ensure that the information disseminated is fair and accurate."

There were a few notable exceptions which gave prominence to the facts. Naming Labour Weekly, Morning Star, New Socialist and Tribune, I do so in order that those publications may receive support from our Movement which is so necessary for their survival in a commercially dominated field.

Every endeavour was made to increase public awareness of our members' case and the response from the Labour and Trade Union Movement showed an understanding of the deeper issues. Messages of support and solidarity were heartening and donations which were received from a wide cross section of our Movement were of great assistance and provided confirmation that the rank and file members, as well as national leaders, had an appreciation of what was at stake.

The action of trade unionists in the print industry by the many generous donations which were made showed that the workers themselves not only wished to be associated with the struggle but were concerned by the action of those responsible for editorial policy to actively promote a campaign of hate and abuse. The miners as always were quick to respond to any attempt to



transgress trade union principles. Both by donation and industrial participation, they confirmed their allegiance to the common bond which unites workers in two essential and demanding industries.

Our Society is numerically small yet a Union is not judged on numbers alone. The policies which we have followed and our adherence to trade union principles have earned respect throughout the Labour and Trade Union Movement, both in this country and abroad. Our participation and leadership in the International Seminar of Railway Workers has brought together and cemented relationships between trade unions in all parts of the world and has made a major contribution to the dismantling of those barriers which have, for far too long, divided Eastern and Western philosophies.

Events of recent times have reinforced the need for countries to work for peace and a more settled world will only be achieved if workers' representatives are able to meet together in order to discuss problems which are common to all. ASLEF has never been selective in its approach to international relations and this policy has been firmly advocated by our General Secretary as a member of the International Committee of the Trades Union Congress, where his work has made a major contribution towards peace and detente.

The decision, which was taken by the Executive Committee during the latter part of last year to curtail our endeavours in the field of international relations, may have been misconstrued. It was a hard decision to take but priorities had to be determined and our Union was joined in critical negotiations with the British Railways Board. It was, therefore, decided that it would be unwise and not serve the interest of our members if the Executive Committee was depleted in numbers when crucial decisions were taken. Events showed that our judgment was correct but that period was only a temporary break and we must now resume our role in the cause of international trade unionism.

The Sixth International Trade Union Seminar of Railwaymen held in Belgium in May of last year determined that the Seventh Seminar should take place in Prague in May 1983. Our colleagues of the German Federal Republic were charged with the organisation of the Working Party of the Seminar but a short



time ago we were told that because of internal trade union problems, they were now presented with difficulties in organising the arrangements previously scheduled for June. Our colleagues in Germany are concerned that the work of the Seminar may be put at risk and clearly there is a need for a lead to be taken.

The Executive Committee has, therefore, decided that enquiries should be made with the object of ensuring that the Working Party meets to prepare for the Seventh Seminar, as delay or postponement would be a set-back to the cause of international co-operation. Should it not be possible for our German colleagues to overcome their difficulties, then the Executive Committee believes that our Union should accept the responsibility of making the arrangements for the Working Party, as a positive contribution to international trade unionism.

Our standing as a union within the TUC was marked last year when the Men's Gold Badge was awarded to George Capel, who was then a member of Exeter Branch. It may well be said that the Gold Badge, which is eagerly sought after by so many trade unionists is the premier accolade of the Trade Union Movement. George Capel devoted his life to the Labour and Trade Union Movement and all those who had the privilege of meeting him would be well aware of his dedication to the Movement and his willingness to help his fellow workers.

But the Badge, and I know George would have been the first to acknowledge this, was awarded to him not only for the work which he had done but as a testimony to the part which our Society has played in the Labour and Trade Union Movement and its adherence to the principles of trade unionism. It was tragic that George died before he was aware that he had been awarded the Badge and it fell to his widow, Joyce, to accept the Badge on his behalf from the Chairman of the TUC at the 1981 Congress. As Mrs Capel told the Congress, the day of presentation would have been one of the greatest moments in her husband's life. She said that she realised how much he was dedicated to the Movement and that his commitment never wavered despite the difficulties that he had to face and the pain and discomfort he suffered during the last years of his life.



Joyce Capel has recognised how proud ASLEF was to have within its ranks such a person as her husband. She has, in an act of great generosity, decided that the Badge should be handed to our Union for safe keeping and to enable present and future members of our Union to have the opportunity of seeing the Badge on those occasions that they visit Head Office.

So Joyce has been asked to come to London during the period of our Conference in order to officially present the Badge. I am sure all of you here today will be proud if it is possible for her to join us on what will be a unique occasion, as no other member in our history has been so honoured.

In conclusion, I wish you success in your deliberations and I do so in the knowledge of the importance to our fraternity of the decisions you will be called upon to make.

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SUBJECT



10 DOWNING STREET

From the Private Secretary

21 May 1982

THE RAILWAYS

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

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

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



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

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

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

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

/industry



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

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

/I am sending



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

Michael Scholar

Anthony Mayer, Esq.,  
Department of Transport.



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Transport 7



*PM has seen.*

MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1  
Telephone 01-~~938 7022~~ 218 2111/3

MO 19/1

20th May 1982

*Dear Michael,*

THE RAILWAYS

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

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

*Yours ever*

*Nick Evans*

(N H R EVANS)

M C Scholar Esq

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MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1  
Telephone 01 909 1000



20 MAY 1982





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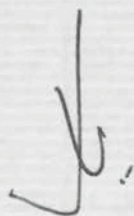
MR. SCHOLAR

c. Mr. Mount  
Mr. Walters

INDUSTRIAL ACTION ON LT AND BR

I participated in the work of the Official Group, whose Report has been submitted to the Prime Minister under cover of Mr. Howell's note of 19 May; and I am sure that Mr. Howell's conclusion - that we shall get by, because the LT disruption is likely to be spasmodic - is right.

There is, however, one point which Alan Walters and I would like to see pursued, which is mentioned in paragraph 18 of the Report: that is lifting the current restrictions on taxis and hire cars. Alan has already raised this generally in H Committee, and will be keeping up the pressure for a substantial deregulation of the taxi trade. We think that it would be useful to use the occasion of a coincident LT and BR strike to show the advantages of this approach. If the Prime Minister agrees, your acknowledgment of Mr. Howell's note might say that she is content with what he suggests, but would like the question of deregulating taxis and hire cars to be looked at particularly carefully.



20 May 1982

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CONFIDENTIAL

MR. MOUNT

c.c. Mr. Scholar ✓

RAIL UNIONS AND STRIKE PAY

You suggested, rightly, that we ought to be clear whether the rail unions made a practice of paying strike benefit, and to what extent their assets would permit them to do so. I have checked with the Department of Employment, who have good information.

ASLEF's rule book leaves to the discretion of the Executive whether to pay strike pay and, if so, how much. During industrial action earlier this year, ASLEF set up a hardship fund, but did not pay strike pay as such. Their total assets are £2.4 million, of which £1.3 million are fixed.

The NUR rule book provides for strike pay of £5 per week at the discretion of the Executive. There have been no national strikes on the railways for many years, and therefore no clues as to likely practice. But their total assets are £20 million, of which £3.5 million are fixed.

I conclude that in an all-out strike, rather limited strike pay could be made available for a very long time, but that it would not go anywhere near to offsetting the loss of earnings. I am sending a copy of this to Michael Scholar, in case it should be relevant to this evening's meeting.

M. M. VEREKEN

*Tiem del Fuego*

20 May 1982



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Prime Minister  
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PRIME MINISTER

cc Mr Mount  
Mr Walters

British Rail

Despite your other preoccupations - and perhaps because they may become even more intense over the coming week, and further meetings on BR may be unwelcome - I hope it may be possible to establish at your meeting tomorrow a clear strategy for handling BR's industrial relations issues, and the terms in which it is to be conveyed to the Board. We must not let time slip through our fingers: the Board are already suggesting that 5 July is the earliest date for a strike, whereas from our point of view it is about the latest.

I think you may find it helpful to start by clarifying the financial position of BR, and the financial consequences of a strike, so that there is agreement on the extent of the Government's leverage on the Board. It would be useful to establish:

- (i) That BR could live within their EFL this year, if they made no pay offer, went hard on other cost savings, maximised asset sales and changed their investment plans.
- (ii) That an all out strike, and closure of the railways, is not very expensive for BR in the short term - ie disregarding permanent loss of custom - as long as the Government continues to pay the PSO grant.

The next question is what BR is actually proposing. At the time of writing I have seen nothing to persuade me that BR has constructed a coherent strategy for handling their problems, as requested after your last meeting. But it is reasonably clear that the BR Board, like the Government, is prepared for a strike. It is essential to establish:

- (i) The precise issue that brings a strike about, its public

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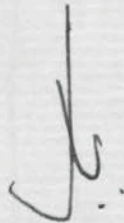
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appeal, and the timing.

(ii) The terms on which it is to be ended.

In the attachment to this note I suggest such a strategy, starting from the terms of our communications with the Board, and concluding with a suggested settlement package.

I am convinced that a significant pay rise (up to 6 per cent) has to be an element in the settlement of the strike. It is not realistic to look for a complete climb down, in which the staff offer all the productivity savings in return for no pay rise. Even though it may mean increasing the EFL to accommodate it, a settlement on the lines indicated - in which, for the first time on BR, the extra pay is given only after delivery of cost saving measures - holds out the best prospect of long term improvements in working practices on the railways.



19 May 1982

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BRITISH RAIL

1. Government messages to the Board

(a) The Government expects the Board to handle this complex of industrial relations issues themselves, within the financial constraints outlined below:

(b) The Government understands that the Board at present foresees the possibility of exceeding their External Financial Limit in 1982/83, and expects them to take the necessary remedial action. The Government believes that income from asset sales and reduced investment plans, combined with no pay rise for railway staff, would be sufficient to meet the forecast EFL overshoot.

(c) The Government accepts that savings in costs arising from the implementation of productivity measures may accrue over too long a period for them to finance a pay rise this year. If - and only if - the Government is satisfied that cost saving measures are actually being implemented, which offer the prospect of substantial benefits in the longer term, the Government would be prepared to consider some elasticity in the EFL to ease the impact of a pay rise in low single figures, until the full benefit of the savings is felt.

(d) The Government is prepared to sustain an extended period of industrial action, as long as it is over by the end of August. The Government would continue to pay the PSO grant (about £15m a week) even during an all out strike, in order to help BR sustain it.

2. Likely Board and union reaction

(a) The unions would continue to resist the cost saving measures currently in dispute, e.g.

/ - Flexible

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- Flexible rostering for footplate staff
- Single manning of freight trains
- Single manning on the Bedford-St. Pancras route
- Development of the trainman
- Closure of BREL workshops
- Open stations

(b) So the Board would have to make a nil pay offer, and to ensure industrial action was not merely delayed for a few months would indicate that, in the absence of cost saving measures, it was final - i.e. not susceptible to arbitration.

(c) There would be an all out strike, probably starting in the week of 5 July (i.e. the week after the Rail Council meeting planned for 1 July).

### 3. Objectives for a settlement

Our objectives for the settlement package would include:

- (i) A pay rise in low single figures, certainly not above 6%.
- (ii) Implementation of the cost saving measures in paragraph 2(a) above as from the settlement date
- (iii) The avoidance of further reference to any of the elements of the package to the RSNT (this means keeping the negotiation of the settlement within the Rail Council).
- (iv) A settlement in time to enable power station coal stocks to be rebuilt.

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PRIME MINISTER

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The Railways

## INTRODUCTION

At your meeting on 12 May Ministers reached the preliminary conclusion that major industrial action on the railways this summer was probably inevitable and that it would be preferable for it to begin in June rather than late in the summer, because of the implications for power station coal stocks. But it was agreed that the first step was for the Railways Board to let the Government have a written assessment of the tactics and timing for handling the various industrial relations issues which they now face. In the light of that Ministers would consider what further advice to offer the Railways Board. This assessment is attached to the Secretary of State for Transport's minute to you of 19 May.

2. Ministers also commissioned two further pieces of work, viz:-

- i. a study by the Official Group on Railways Policy (MISC 72) of the likelihood and consequences of simultaneous industrial action on the railways and London Transport and of the steps that might be taken to alleviate them. This is attached to the Secretary of State for Transport's second minute to you of 19 May; and
- ii. an assessment by the Secretary of State for Industry of the impact of a rail strike on the chemical industry and in particular the distribution of industrial gases. I understand that the Secretary of State for Industry will be briefed to speak on this at tomorrow's meeting.

## MAIN ISSUES

3. At your meeting tomorrow at 6.30 there are, I think, three main topics for Ministers to discuss, namely:-





- a. the BRB's assessment;
- b. what should be said to the BRB in the light of this;
- c. what further contingency planning, if any, might be worthwhile.

BRB's assessment

4. In the paper attached to Mr Howell's minute the BRB recommends Option 4, a course of action under which they would seek to confront the unions on all outstanding issues affecting productivity and efficiency in the context of the negotiations on the 1982 pay claim. As initial steps they would make their position clear at a meeting of the Railway Staff National Council (RSNC) in the week beginning 24 May and subsequently at a meeting of the BR Council in early June. They have however stressed that, in their view, an integral part of the presentation of their case should be some promise on future investment.

5. In his covering minute Mr Howell has implicitly endorsed the BRB's preference for a confrontation on all issues, and he asks that he should be authorised to tell Sir Peter Parker that we recognise that he must face the risk of a major rail strike and we will not hold him back from that. He does not however accept that there should be new promises about future investment. He proposes instead that we should stress what the Government has already done for the railways, and its support for the BRB's objectives which should, if attained, release funds for economically and commercially sound projects.

6. You may wish to focus discussion on the following points:

i. The BRB's assessment does not go into sufficient detail on timing. What steps are likely following the BR Council meeting in early June? Is it likely that the railway negotiating machinery will again be brought into use? When is industrial action most likely to begin?

ii. Are Ministers satisfied with the position on new investment? The BRB's assessment places great stress on the need for a positive message to the unions. Is it sufficiently clear that the BRB accepts the position on new investment outlined in Mr Howell's minute?



iii. How does the BRB expect to bring the industrial action to a conclusion? They acknowledge that their chosen option will make the ultimate resolution of all the issues more complicated. Are they assuming an eventual total defeat for the unions and, if so, is this likely? If not, what kind of resolution of the issues would they regard as ultimately feasible?

What should be said to the BRB?

7. Subject to any light Mr Howell may be able to throw on points i. to iii. above, Ministers may feel that they are not yet in a position to judge whether the course of action envisaged by the BRB is likely to meet the Government's objective ie that any industrial action on the railways will start earlier rather than later and is likely to be brought to an end by mid-August or thereabouts. If so, the right course would probably be not to give guidance to the BRB at this stage on the Government's attitude to industrial action but to ask for the BRB's thinking on these points as quickly as possible.

Further contingency planning

8. Mr Howell's other minute covers a report by the Official Group on Railways Policy (MISC 72) on the prospects of simultaneous strikes on BR and LT and the measures that might be taken to cope with this. The Group do not think that co-incident all-out strikes are very likely; it seems more probable that further industrial trouble on LT will consist of one-day strikes, in which case the existing contingency arrangements would probably be adequate. The possibility cannot be ruled out that the GLC leadership would encourage militancy on LT once a BR strike had started. If as a result simultaneous all-out strikes were to occur, MISC 72 thinks, on the basis of past experience, that the most profitable approach would be to seek to limit the demand for travel (eg by encouraging 7-day working and staggered hours). Mr Howell endorses this view. He suggests that it would be worthwhile asking officials to prepare further contingency plans for measures of enforcement or using volunteers only if we foresee circumstances in which the declaration of a state of emergency would be both justified and politically desirable. You will wish to ascertain whether other Ministers agree with these conclusions.

9. The Secretary of State for Industry was also asked to investigate further the impact of a rail strike on the distribution of industrial gases. The



Department of Industry has spoken to the main company involved, British Oxygen. They have detailed contingency plans already prepared. They think that normal supplies could probably be continued for perhaps 2-3 weeks, and after that they could probably continue to deliver 70 per cent of normal. BOC would be able to identify priority customers. In the circumstances I understand that the Secretary of State for Industry is likely to conclude that although the impact of a rail strike on industrial gases would not be negligible, it would not be sufficiently serious to warrant reconsideration of whether industrial action on the railways could be withstood.

## HANDLING

10. You will first want to invite the Secretary of State for Transport to speak to his minute about the BRB's assessment of industrial action. You might then focus the discussion on the three points in paragraph 6 above, and the question of what should be said to the BRB.

11. You will also want to invite the Secretaries of State for Transport and Industry to comment on the need for further contingency planning and on the impact on industry of a rail strike.

## CONCLUSIONS

12. You will want to reach conclusions on the following points:

i. whether the BRB should be asked for more information about the likely timing of industrial action, and about their ideas for bringing the industrial action to a conclusion;

ii. what, if anything, should be said to the BRB at this stage about the Government's attitude to industrial action;

iii. what further contingency planning, if any, should be undertaken.

*PL*  
P L GREGSON

*19*  
19 May 1982



  
**SECRET**

PM has seen

MUS 26/5

Prime Minister

## THE RAILWAYS

Following your meeting on 12 May I asked Sir Peter Parker to let me have the Railway Board's written assessment of tactics and timing for handling their current pay and industrial relations problems. I attach the Board's assessment.

In brief, the Board are saying that they propose to make any pay offer for 1982 conditional on delivery of the outstanding productivity commitments of the 1981 pay settlement. They are also saying that they expect to bring matters to a head, with the strong probability of a total rail strike in June or early July.

I have reviewed the Board's financial position. Their latest forecast is that without further remedial measures they may overshoot the 1982/83 EFL by up to £100m. Part of this overshoot would be the extra redundancy costs from the measures they have now instituted to slim down administration and close workshops. They have been seeking ways to pull back this overshoot - by accelerated property sales, by a freeze on investment starts, by attacking working capital and by possibly bringing forward the next fares increase as well as by further search for operating savings. They have just told me that helped by falling inflation, if these means succeed, then there has now appeared the prospect that they might be able to live within their 1982/83 EFL. This would enable them to accommodate something approaching a pay provision of the kind they originally envisaged for their 1982 budget (4½% for a general increase plus a further 1% for specific productivity changes).

**SECRET**



SECRET

Each 1% on pay costs BR some £15m in a full year. Each week of total strike entails immediate losses of some £6m a week net (the normal PSO grant being of course suspended). Their ability to cover a 5% pay increase would be eroded fairly quickly by the consequences of a major strike.

In sum our constraint of no extra money means that the most the Board could offer the unions even after delivery of their 1981 productivity commitments is a low pay settlement reducing if there is a strike.

So either way this is a very tight financial framework, and I offered Sir Peter Parker no prospect of alleviation. The Board regard a major crisis in their industrial relations as unavoidable unless the Board's own policies were to be wholly abandoned. In their paper attached they propose to precipitate matters, while trying to maintain a sound public posture. I am sure we must support them in their chosen course.

The Board's paper points out that the unions may seek to make an attack on us that we have given inadequate support to the railway and inadequate commitment to its future. I have made it clear to Sir Peter that there can be no question of our attempting to buy that off by new promises now. This makes the hand doubly difficult for him, particularly when the time comes for his to appeal direct to the workforce over the heads of the union executives. At this stage I think that our right course will be to develop a campaign showing the major things we have already done for the railways, and our support for the objectives that the Railways Board is pursuing, success in which should itself release funds for economically and commercially sound projects.

SECRET



SECRET

I propose that I should be authorised to tell Sir Peter Parker that we recognise that he must face the risk of a major rail strike, and we will not hold him back from that.

I am sending copies of this to the Home Secretary, the Secretaries of State for Industry, Energy, Employment, Defence and Scotland, the Chief Secretary, and to Sir Robert Armstrong and Mr Sparrow.

DH.

DAVID HOWELL  
19 May 1982

SECRET



Age Profile .





BRITISH RAILWAYS : 1982 INDUSTRIAL RELATIONS

The Railways Board, in pursuing its financial objectives, now faces confrontation with the Trade Unions on a number of issues, most of these have a very high probability of either strike action by Trade Unions or the Board having to close down the railways because of Trade Union and staff intransigence.

Pay increases in 1982 are a common factor for all the Trade Unions, but the other issues are shown below indicating which Trade Unions are involved in resisting these changes:-

OUTSTANDING 1981 PRODUCTIVITY COMMITMENTS

- Disc*
- |  |                   |
|--|-------------------|
| 1. Flexible, variable day length rosters.                          | <u>ASLE&amp;F</u> |
| 2. Further Single Manning of Traction Units.                       | <u>ASLE&amp;F</u> |
| 3. Driver Only Operation, Passenger Services, St. Pancras-Bedford. | <u>NUR</u>        |
| 4. Driver Only Operation, non-Passenger Services.                  | <u>NUR</u>        |
| 5. Trainman Concept.   | <u>ASLE&amp;F</u> |

1982 RESOURCE AND STAFF REDUCTIONS

- No*
- |  |   |
|--|---|
| 6. Further "slimming" of Administration staff numbers.         | <u>TSSA</u><br><u>BTOG</u>                    |
| 7. BREL redundancies and closure of Shildon and Horwich Works. | <u>CS&amp;EU</u><br><u>NUR</u><br><u>TSSA</u> |

Of these seven items only forcing through the Administration scheme, which mainly affects TSSA members, has a chance of success without a stoppage of rail services. In all the other areas there are known Trade Union policies or attitudes requiring the Unions to take industrial action to prevent those changes being imposed.

This is the situation in which the Railways Board believe it unwise to risk a series of stoppages over each of the items in different timescales but, if confrontation is unavoidable, to embrace all the issues at one time.

There are of course a number of alternative courses of action in a mix of issues of this kind. The Board believe that essentially there are four main choices:-



<u>OPTION</u>	<u>ADVANTAGE</u>	<u>DISADVANTAGE</u>
1. The "soft" approach. Do not risk confrontation - settle best terms on all issues.	Railway services continue to operate. Revenue protection, public and customer confidence improves with service stability.	Board credibility totally lost. Railway Management morale and motivation deteriorates. Financial objective undermined. TU militancy strengthened.
2. Isolate ASLE&F. Board to insist upon implementation of Flexible Rostering for Footplate staff.	Keeps other Unions apart from this controversy. Supports NUR/TSSA response to Flexible Rostering. Board's position technically and morally sound and understood by public.	Fails to achieve financial objective. Board seen to be accommodating NUR. Other 1981 Productivity changes not secured (e.g. Driver Only Operation, St. Pancras, Bedford). Not facing up to BREL surplus capacity. ASLE&F industrial action virtually certain and subsequent action by other TUs likely as other changes are pursued.
3. Insist upon delivery from ASLE&F and NUR of <u>all</u> the outstanding 1981 Productivity items. This means specific agreements to implement working practice changes detailed in Page 1 (items 1 to 5) on the Board's terms. Defer decision on BREL Workshop closures.	Achieves the objective for changes in working practices. Seen to be consistent in approach to both Unions. Avoids the public/political emotion/reaction to the proposed Works closures.	Industrial action by ASLE&F and NUR inevitable. Financial objectives at risk through the deferment of Works closures. Triumph for workers in BREL.
4. Insist upon implementation of <u>Flexible</u> Rostering, other 1981 Productivity items, Workshop closures and rationalisation.	Board doing everything possible to achieve financial objectives in the long run. The railway industry's efficiency and image improved. Board resisting "soft" option and TU militancy. Avoid a series of service disruptions which have greater adverse effect on customers than a "once only" stoppage.	<u>This</u> unites <u>all</u> the TUs in reaction to the Board and may gain wider TU movement support. May weaken the position of moderates in NUR. Ultimate resolution of all the issues more complicated. The period of industrial action may be longer.



The Board is strongly of the view that the "package" Option 4 should be followed for the reasons already stated. The proposed strategy to achieve this is to use the 1982 pay claim negotiations, which are already overdue, because the pay situation is common to all the Unions and a dispute over this affects them all.

The procedure the Board would wish to adopt is:-

STEP 1

Convene an RSNC meeting week commencing 24 May, 1982 for the purpose of discussing Pay 1982 and RSNT Decision No. 77 on Flexible Rostering. At that meeting declare that Pay and Productivity for 1981 is still not finalised - suggest B.R. Council meeting to discuss Board's finances, Productivity and Rationalisation changes needed and possible investment discussion/decision of Secretary of State.

On Flexible Rostering, Footplate staff, and assuming the Annual Conference support the Executive Committee decision to reject RSNT Decision No. 77, then tell NUR and ASLE&F that the Board reserves its right to introduce these rosters and would talk to the Unions again when a date can be determined.

STEP 2

Arrange a special B.R. Council meeting early June, 1982.

The purpose of this meeting to reiterate to the Unions the even greater need for their co-operation in responding to the case for changes.

To have any chance of success this meeting must have reference to the future wellbeing of both the industry and its labour force.

This will require, in the Board's view, evidence now of some investment commitment. Attached as Appendix 'A' is a potential "1982 Balance Sheet of Change".

The Railway industry has, in recent years, achieved significant changes and cost reductions; the following are some examples:-

- Parcels C&D Withdrawal.
- Freight Rationalisation.
- MSW Closure.
- Passenger Service Adjustments.
- Major office changes.
- Signalling Scheme Implementation.
- Introduction of new office techniques.



Reductions in manpower and posts reflect these and other changes. Since August 1980 the Railway labour force has reduced by 14,600 (8.2%) and the number of posts has reduced by 17,700 (9.0%). In the same period BREL has reduced its labour force by 1,500 .

The Trade Unions will capitalise on this performance and will review the 1980 Balance Sheet of Change alleging that the Board and Government have failed to fully respond as the Unions already have done. The Trade Unions position and attitude is summarised in Appendix 'B'.

Counter arguments from the Board will be that notwithstanding what has been done the financial position has worsened and requires the early acceptance of the outstanding productivity items and that much of the past achievement was a balancing of resources to match the emerging business needs.

The Board will also be arguing the case for BREL Works closures and redundancies and Appendix 'C' explains why the Board consider this to be necessary at this time.

There is little in the package to attract Trade Union co-operation and some evidence is needed of Government and Board confidence in a future railway. This could be done by giving the Board discretion to invest in projects provided that they were satisfied that other conditions, such as Productivity, rationalisation of resources, etc., were not being obstructed by the Trade Unions. A decision to improve investment now would also create the conditions whereby should there be failure it can be described as the Trade Unions refusal to examine the facts of industrial and financial life in a situation where the Board is not only willing to explain its case but, in doing that, will offer pay increases in 1982, will restructure pay in the future - provided the Trade Unions and their members co-operate in the changes relevant to the future role, size and shape of the Railways.

A presentation on this basis would also be helpful in the event that the Board is in dispute with the Unions and needs to communicate directly to persuade employees to co-operate.

The strategy recommended and the tactics outlined are in the expectation that there is a near certainty that rail services will be disrupted and the Board has estimated that the travelling public and Freight customers would prefer, as the lesser of the two evils, a "once for all stoppage" to the uncertainties created by a series of separate disruptions. Some Freight customers are better able to survive lengthy dislocation to the supply of materials than others.

Chemicals, Petroleum and Steel would be likely to be in difficulties in 2/3 weeks of a stoppage. Automobiles and Cement in about 6 weeks. Fuel stocks on the other hand are plentiful.

The Railway are currently heavily involved in movements connected with the Falklands.

It is anticipated that passenger commuters would start to pressurise for restoration of services after a couple of weeks of personal inconvenience.

/Continued .....



The cost benefits from the changes the Board is seeking do not in themselves resolve the financial problems but they do make a contribution. In considering the probability of confrontation with the Unions and the Railway business being disrupted, the following estimates of financial effect are relevant:-

1. ASLE&F strike and total loss of revenue but payment of salaries and wages to non ASLE&F members.  
    Nett worsenment £25m. per week
  
2. Total closure of Railway and no payment of wages and salaries.  
    Nett worsenment £5.8m. per week
  
3. BREL closures and work re-allocation.  
    Reduced overheads by £18m. per annum
  
4. Total value of the Productivity initiatives £35m. per annum



1. Complete the commitments still outstanding from the 1981 Pay and Productivity Agreements:-
  - 1.1. The Open Station concept.
  - 1.2. Flexible Variable Day length rostering.
  - 1.3. Easement of Single Manning of Traction Units.
  - 1.4. Driver Only Operation of Passenger Trains, Bedford-St. Pancras services.
  - 1.5. Driver Only Operation of non-Passenger services.
  - 1.6. Trainman concept.
2. Reduce the cost of Administration by post and staff reductions and altered systems and methods.
3. Rationalise Workshop capacity within BREL and the Regions to match future needs. Including where necessary Works closures.
4. Continue the discussions/negotiations on changes in working practices and national agreements for those remaining and needed items from Clause (1) (iii) of the 1980 Pay Agreement with a view to generating productivity savings, part of which could be used to bring about the Pay and Conditions of Employment restructuring which has been mentioned repeatedly in the past as being a shared objective of the Trade Unions and the Board.

Specifically Authorise

1. Rail Network Electrification:-
  - 1.1. Hitchin-Huntingdon.
  - 1.2. Huntingdon-Leeds/Newcastle.
2. Victoria-Gatwick Rail Link Scheme.
3. Build 40 lightweight DMUs.

Agree in Principle

4.
  - 4.1. Increased New Build of EMUs from 175 to 220 p.a.
  - 4.2. Build DMUs at 50 a year.
  - 4.3. Build 180 Mark III Day Coaches.
  - 4.4. Replace existing WCML locomotives with 30 to be built.
  - 4.5. Speed up modernisation of Signalling schemes.
5. Endorse the need for new Financial Structure (Serpell Inquiry).
6. Provide financial transition for future Pay Restructuring.



BRITISH RAILWAYS BOARD

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APPENDIX 'B' : SUMMARY OF TRADE UNION ISSUES AND ATTITUDES

ASLE&F

Executive Committee have rejected RSNT Decision No. 77, Flexible Rostering, and this will be discussed at Annual Conference commencing 17 May, 1982 when the likely lead to delegates will be to oppose productivity proposals which alter Footplate staff numbers or (as they see it) worsen conditions of employment. ASLE&F will be claiming cost of living pay increase in 1982 separate from any productivity commitment.

CS&EU

The Confederation of Engineering Unions are accustomed to the industrial management practices in both the private and public sectors. Normally moderate they tend to respond to the employers ability to pay but will expect a pay increase not far removed from what has been happening to their skilled worker members elsewhere in 1982. Currently the CS&EU are opposing the proposals affecting BREL capacity and have formally declared their intention to take industrial action to prevent Works closures and enforced redundancies.

NUR

Annual Conference late June/July. Existing Conference decisions require strike and other industrial action by the Union if BREL Workshops are to be closed and if there are to be compulsory redundancies. 1982 Grade Conferences have decided to oppose Board proposals for Driver Only Operation of Passenger and Freight trains. The NUR are seeking pay increases without productivity conditions in 1982.

TSSA

Annual Conference has just taken place and in the matter of pay negotiations the Executive Committee have freedom to move from the policy of keeping pace with the RPI movement, but pay increases will be sought along with other Unions. The Board proposals to reduce Administration costs by the release of some 2,300 volunteers for redundancy is opposed by the TSSA Executive and this will undoubtedly be endorsed by this Annual Conference. TSSA members are also affected by the BREL surplus capacity problem.

/Continued .....



Very broadly a picture appears of these Trade Unions having either common policies emerging or about to emerge and being affected similarly by the Board's proposals for both productivity and rationalisation change.

#### PAY

All Trade Unions are seeking increases without strings.

#### PRODUCTIVITY

The CS&EU are least affected but there are specific proposals for the others with TSSA having the easier response to make about Administration changes and both ASLE&F and NUR sharing most of the 1981 outstanding commitments and the Train Crew activity is that which has been the main focus of public and political attention.

#### RATIONALISATIONS AND REDUNDANCIES

The NUR and CS&EU share the greatest burden carried by the BREL Workshop surplus capacity. Because the NUR have members across the corporate railway their resistance and potential industrial disruption would have great impact upon the total business. The NUR are taking the lead with the CS&EU in obstructing these changes.

#### SUMMARY OF LIKELY TRADE UNION ARGUMENTS IN SUPPORT OF PERCEIVED ATTITUDES

The perspective likely to be presented by the Trade Unions is of continuing co-operation since the 1980 Pay Agreement resulting in significant staff and post reductions, currently running at an annual rate of 68m. as jointly recorded by Management and Trade Unions.

This includes co-operation by the Unions in decisions like the withdrawal from Parcels C&D activity, Rationalisation of Freight Marshalling facilities and general good housekeeping, including savings from reductions in the Administration function.

The Unions will relate this co-operation to the smaller savings arising from changing working practices.

The ASLE&F will attempt to maintain arguments about impracticability in the Flexible Rostering issue.

NUR especially, remember their November 1981 "Broken Promises" public statements?, will return to the theme of Government (and B.R. Board) not responding to the investment decision as part of the agreed "Balance Sheet of Change" of 1980/81. The view of the Unions is that the Minister of Transport, at that time, had indicated acceptance of the package described in the "Balance Sheet of Change".



BREL SURPLUS CAPACITY1. REDUCTIONS IN REQUIREMENTS

During 1981, BR's locomotive, carriage and wagon fleets were all substantially reduced because of productivity initiatives and this trend will continue thereby reducing heavy maintenance and new build requirements.

By way of example, the reductions in workload arise from:-

- (a) Coal is now moved in 32 ton Merry-go-Round wagons which turn round every  $1\frac{1}{2}$  days against the old 16 ton wagon which turned round once in every 8 days.
- (b) TOPS is ensuring maximum utilisation of wagons.
- (c) HST runs for 200,000 miles between major overhauls against the 100,000 miles for Class 87 Electric Locos and 50,000 miles for Class 47 Main Line Diesel Locos.
- (d) Mark I Coaches required shopping every 3 years whereas with built in maintenance protection the Mark III Coaches require shopping every 5 years.
- (e) Withdrawal from C&D Parcels reduced the non-passenger coaching stock.
- (f) Reduced wagon and coaching stock fleets require fewer locomotives to work them.

2. EVALUATION OF REQUIREMENTS

Each July an evaluation is made of the workload available in the following calendar year for the purposes of production planning and consultations regarding staff requirements.

Both short term and long term evaluations indicated an over capacity which could not be viably absorbed if all existing Works locations were retained.

The estimated reduction in production workers at the 13 Main Works amounted to 3,589 direct workers and the reduction of 13 locations militated against a corresponding large increase in maintenance, indirect and administrative staff. The consequence of retaining 13 Main Works would be an on cost arising from over capacity which would increase the unit cost of the work done for B.R. and which would increase export prices to the extent of making the Company non-competitive.

The alternative evaluation required the re-allocation of work between locations so as to match capacity with workload. It was this evaluation which showed clearly that to become competitive in export markets and to reduce charges to B.R. the closure of Shildon Works, Horwich Works (except for the



Foundry) and a reduction in requirements at Swindon enabled economies to be achieved in indirect and other workers. This increased the staff reductions from 3,589 to 5,134 which, together with the decreased location overheads, resulted in an £18m p.a. reduction in overhead costs.

### 3. COMMUNICATION WITH TRADE UNIONS

It is normal practice to discuss general staffing requirements with the Trade Unions and also to discuss apprentice recruitment each year. Since the reduction in investment and fleet levels was a known factor there was of course increased pressure from the Unions for information. It was also apparent that the intake of apprentices would have to be seriously curtailed and there was no way of concealing the decision to restrict the number and location of apprentices being taken on. These facts, coupled with general restrictions of recruitment, were sufficient to precipitate rumour and Trade Union reaction to the extent that reasonable discussion of the known facts was the only remaining alternative.

Accordingly at British Rail Council and subsequent meetings with the Unions facts relating to the workload, immediate effects and the preferred option which would ensure Company viability were tabled for discussion. The Board have gone to some lengths to maintain the concept of preferred option but in the current financial position it is jointly recognised that in real terms this is the only solution.



PM hasseen cc. Jv.  
MS  
Prime Minister  
✓  
5  
Mus 19/5



**CONFIDENTIAL**

**COVERING SECRET.**

Prime Minister

INDUSTRIAL ACTION ON LONDON TRANSPORT AND BRITISH RAIL

At your meeting of 12 May it was decided that the Official Group on Railways Policy (MISC 72) should consider the consequences of industrial action on the railways and London Transport taking place at the same time and the steps that might be taken to alleviate these consequences.

I attach a report by the Official Group.

On the basis of the information we have, the strong likelihood is that further action by bus and tube workers will take the form of a series of one day strikes.

If there should be days when strike action by London Transport bus and tube workers coincided with an all-out BR strike, traffic congestion will be severely worsened. Despite these additional problems on the day my own view however is that we will be able to get by providing such events do not occur too regularly.

During such days I think we will need to concentrate our efforts on advice to all concerned to reduce traffic congestion by car sharing, stagger working hours and avoidance of unnecessary journeys. It would be worthwhile asking officials to prepare further contingency plans for measures of enforcement or for using volunteers only if we foresee circumstances in which the declaration of a state of emergency would be both justified and

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politically desirable. At the moment I do not foresee such circumstances. If things change, however, I will consult with the Home Secretary immediately so that we can set in hand the necessary work.

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

JH.

DAVID HOWELL  
19 May 1982

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COVERING SECRET.



CONSEQUENCES OF SIMULTANEOUS INDUSTRIAL ACTION ON BRITISH RAIL AND  
LONDON TRANSPORT

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REPORT BY THE OFFICIAL COMMITTEE ON RAILWAY POLICY

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

Industrial action on London Transport

2. There are prospects of industrial action by three major groups of London Transport (LT) workers - bus platform staff, underground staff and garage engineers - in the next two months. Details of staff numbers and union representation are at Annex I.

3. All three groups have already met to co-ordinate action over service cuts and job losses although the underlying issue is likely to be pay. LT have offered 5% with fringe benefits and now await union responses. The unions are preferring to focus their action on service cuts and job losses in an attempt to win public sympathy. Although the possibility of joint action cannot be excluded the 'crisis' point for each group is different. New underground timetables (having been deferred by the threat of industrial action) are due to be introduced on 7 June but those on the buses not until late July. Nonetheless, bus staff have already started sporadic short-term action and garage engineers are refusing to work normally (LT propose shortly to bring the latter dispute to a head by disciplining those involved). Joint action by bus and underground staffs has already taken place (10 March in protest against the Law Lord's judgement on the Greater London Council's low fares policy) but is unlikely to be repeated before 7 June. The possibility cannot be ruled out that the GLC leadership might, in concert with militant union elements, seek to aggravate and prolong any action as part of their wider contest with the Government over public transport policy.

4. There must be a risk that the likely short-term action by LT bus and underground staffs, either jointly or separately, could occur



during a longer BR stoppage but it is unlikely that LT employees would specifically seek to support a BR strike. Some militant groups (again, perhaps, with GLC leaders' backing) may seek this but BR and LT workers have different interests and their disputes are unconnected. It seems probable that <sup>LT</sup> union members as a whole would not see it as being in their interests to hold more than a series of one day strikes.

Government reaction to LT disputes

5. The LT union leaders are keen to keep some public support by ostensibly taking action over service cuts rather than pay. The Government's best course would be to distance itself from any dispute since some schedule changes from current extravagant levels of service and thus some job losses (but largely from natural wastage), are inevitable. Ministers might therefore confine themselves to repeating that the Government is providing, and will continue to provide, a substantial level of public financial support within which the GLC can plan and run adequate services; and that the scale of cuts and threatened redundancies have been politically exaggerated to create pressure for legislation to permit the return to the payment of uncontrolled subsidy. But even an early announcement on LT legislation might not avert industrial action.

Consequences of simultaneous action

6. A total of 420,000 passengers travel to work in London by BR each day, 100,000 of whom continue their journeys on the underground. Although during the previous ASLEF dispute (when LT services were operating) London commuters showed considerable spirit and initiative in getting to work, a complete shut-down by BR over an extended period would cause them considerably greater difficulty and hardship. A further 400,000 passengers use LT services exclusively each day (103,000 use buses: 324,000 the underground). The coincidence of a one-day strike by bus and underground workers with a BR stoppage would probably result in many commuters simply staying at home, although traffic congestion would obviously be severely worsened.

Contingency plans

7. The plans for alleviating the problems caused by the disruption of public transport in London, are directed towards both reducing the demand for transport and dealing with the extra traffic which is generated (see Annex II).



8. During the intermittent ASLEF disruption on British Rail earlier this year, a major public relations campaign was mounted by the Secretary of State for Transport in an effort to reduce and spread travel demand. This was largely successful, and would be repeated. In respect of measures introduced to cope with the additional traffic it is worth noting that not all the additional parking space was utilised - the Mall and Constitution Hill were held in reserve - and that National Car Parks reported a reduction in custom because of the introduction of emergency (free) car parks. However, during the recent ASLEF disruption there were tail-backs of traffic on certain key routes into London inspite of the best efforts of the police.

9. In considering the effects of BR disruption alone, it would appear on past experience that contingency measures as in Annex II coupled with a vigorous public relations campaign would deal adequately with an all-out protracted stoppage, although we have no experience of this.

10. Although none of the contingency measures requires the declaration of a State of Emergency, one of them (Annex II 4.k.) would require the co-operation of the Greater London Council.

11. On the one-day LT strike on 10 March the traffic flowed without undue difficulty during the morning rush-hour. There was, however, severe congestion later in the day when the homeward evening peak traffic clashed with theatre and other leisure traffic coming into London. The Metropolitan Police would man all major junctions in the evenings as well as the mornings to prevent a recurrence of this.

Possible additional contingency measures

12. We have considered possible additional steps that might be taken to regulate demand.

Turning back cars not fully loaded on entering London (an enforced car sharing scheme) would require fresh statutory powers as well as the pre-definition of a cordon around the capital and a substantial police effort at a time when all available manpower will already be on duty. In practice, such a cordon would be more likely to add to delays and congestion, and would do little to ease the problems in the outer-suburbs. The same arguments apply to a rota system for cars with even and odd numbers



entering on alternate days. In either cases exemptions would need to be decided and applied for doctors, midwives, essential business users and so on, which would add to the difficulties of enforcement. These measures are therefore likely to make matters worse not better and we have not at this stage carried an investigation further into the powers that would be needed. These obstacles do not arise in a policy of encouragement rather than imposition. There are no legal obstacles to prevent car-sharing, the staggering of working hours, or even the spreading of the working week over seven days if circumstances should make this desirable. Certainly Ministers could give this encouragement by meeting large employers as they did during the ASLEF dispute. Experience then also suggests that there was a considerable degree of staggering of working hours and of car sharing as commuters adjusted to the new situation, and that major employers were quick to provide their staff with special coaches. We know that many of these are held in readiness on long-term contracts.

Provision of alternative services

13. The operation of underground services by volunteers would take some weeks at least to implement because of the time it would take to train them to do so safely. This presupposes a willingness by LT management to provide this training. The provision of underground services would also depend on the availability of power supply, signalling and station staff, and it is doubtful whether volunteers could successfully cope with all these aspects. This seems to rule out the provision of underground services by volunteers.

14. In theory, it would be possible to operate a volunteer bus service in London. 4,000 drivers would be needed to provide a credible service. Any Heavy Goods Vehicle (HGV) licence holders would have the necessary skills to drive buses but it would be almost certainly essential to have the coverage of Emergency powers to let them do so legally and to cover insurance aspects. It is doubtful whether LT management would co-operate in running services using volunteers because of the problems of crossing picket lines and the risk that vehicles might be sabotaged. The provision of vehicles is thus also a major problem. The lack of LT's garage facilities would pose problems in the provision of fuel and engineering support. All in all it is unlikely that LT could operate a service using volunteers.



5. The question then is whether the Government could do so. Emergency powers would certainly be necessary to requisition LT vehicles or private coaches. The latter will in any case be almost entirely committed to providing contract services for large employers, so requisitioning them would add little to the total resources available. In present circumstances it would be possible for the Ministry of Defence to provide only a fraction of the 1,700 service drivers normally available with HGV licenses, and very few fitters for maintenance. Given access to LT workshops and vehicles, a very limited service might thus be possible. There is no contingency plan for this and so further work would be needed; the limitations on what could be done seem to be both practical ones and the lack of powers.

16. Similar considerations apply to the use of troops or volunteers to drive lorries instead of buses or coaches. There are few lorries, either military or civilian which would be suitable.

17. On a more general point, it remains for consideration whether the risks of escalation and sympathetic action inherent in the use of volunteers or troops are worth taking in the event of one-day LT bus strikes.

18. Special powers would also be needed to remove the restrictions which currently prevent taxis and hire cars being used like stage carriage buses. There is nothing to prevent a group of people sharing a taxi to a given destination now, but to allow taxis to operate along given routes, picking up and setting down passengers at random, would require special legislation.

#### Summary and conclusions

19. So each of the measures examined in paragraphs 14 to 18 would encounter some practical problems, but more importantly there are not existing powers for any of the following:

- a. banning from a defined area of London vehicles with spare passenger capacity;
- b. banning from London, on alternate days, vehicles with odd and even registration marks or some other selection;
- c. requisitioning buses or garages from LT or elsewhere;



d. lifting insurance restrictions on hired non-PSV vehicles to allow them to carry paying passengers;

e. lifting current restrictions of that kind on taxis or hire cars.

20. The only means available to the Government to secure any of these powers would be by emergency regulations under a State of Emergency. But such a state of emergency can only be proclaimed when "If at any time it appears to Her Majesty that events have occurred or are about to occur of such a nature as to be calculated, by interfering with the means of transport, to deprive the community or a substantial proportion of the community of the essentials of life".

21. It will be for Ministers to decide whether or when a transport strike in London, affecting mainly the movement of passengers, so affects the national economy through London that the "essentials of life" are at risk.



## LONDON TRANSPORT: STAFF NUMBERS AND UNION REPRESENTATION

<u>Group</u>	<u>Total Numbers</u>	<u>Main Union</u>
BUSES		
<u>Bus Platform Staff</u>	19,450	TGWU
OMO Drivers	6,400	
Crew Drivers	6,100	
Conductors	6,950	
<u>Bus Inspectors</u>	2,000	TGWU
<u>Bus Garage Staff</u>	7,700	AUEW; TGWU and other craft unions (eg EEPTU)
Road workshops	3,400	
Garage maintenance	3,300	
<u>Bus Garage Supervisors</u>	450	TGWU, AUEW, TSSA
UNDERGROUND		
<u>Operating Grades</u>	4,350	Drivers, NUR and ASLEF Guards, NUR
Drivers	2,100	
Guards	2,250	
<u>Station Staff &amp; Foremen</u>	3,050	NUR; TSSA; ASLEF (few)
<u>Signalmen</u>	200	NUR
<u>Booking Office Staff</u>	1,800	TSSA; NUR
<u>Underground Engineering Staff</u>	7,300	NUR; AUEW; TGWU and other craft unions
"Line" work	3,300	
Workshop/Depot staff	4,000	
<u>Underground Engineering Supervisors</u>	1,250	NUR; AUEW; TGWU and other craft unions
<u>Common Staff</u>	111,000	NUR; TSSA
Clerical grades	3,050	
Executive grades	1,600	TSSA; BTOG
Tech/Control grades	1,700	TSSA; NUR; ASTMS
Others	4,650	NUR; TGWU; AUEW
TOTAL UNDERGROUND AND ASSOCIATED COMMON STAFF	=	24,000
TOTAL BUS AND ASSOCIATED COMMON STAFF	=	35,800
GRAND TOTAL		<u>59,800</u>



**CONTINGENCY PLANS**

1. The Department of Transport and Metropolitan Police have contingency plans which cover both the demand side - measures to reduce the demand for travel - and the supply side - measures to deal with the extra traffic generated by any strike.

Measures to reduce demand for travel

2. These include:-

- a. issue of advice to Government employees to stagger working hours and take work home wherever possible;
- b. advice to private employers to adopt the same approach as in (a) to their staff;
- c. encouraging car sharing arrangements;
- d. encouraging people generally to avoid inessential trips to London.

3. All these measures were implemented during the ASLEF strike earlier this year.

Measures to cope with extra traffic

4. The following measures have been drawn up. Items (a) to (g) were implemented during the ASLEF dispute; items (j) and (k) have never been brought into operation:-

- a. providing over 6,000 extra car parking spaces in the Royal Parks and other London parks;
- b. extra police officers and traffic wardens diverted from other work to traffic control duties;
- c. suspension of some parking restrictions;
- d. suspension of enforcement of bus lanes;
- e. all except emergency road works and repairs to be stopped;



- f. banning the movement of abnormal loads;
  - g. arranging boarding and alighting points for coaches bringing essential staff to work;
  - h. introducing emergency clearways on all radial routes with strict enforcement of all parking and waiting restrictions;
  - i. arranging with businesses fronting on radial routes not to receive deliveries between 7-10 am and 4-7 pm;
  - j. suspension of meter regulations;
  - k. providing additional parking for up to a further 6,000 cars using special tracking laid by the Army in parks (this would need the Greater London Council's co-operation).
5. The Department of Transport and the Police will work closely with the motoring organisation on the provision of road signs, dissemination of traffic information and assessment of problems.





10 DOWNING STREET

From the Private Secretary

13 May 1982

Dear Anthony,

THE RAILWAYS

The Prime Minister held a meeting at 11.30 a.m. yesterday to discuss your Secretary of State's minute to her of 10 May, which circulated a report by the Official Group on Railway Policy (MISC 72). Also before the meeting were the Home Secretary's minute of 30 March to the Prime Minister, attached to which was a report by the Civil Contingencies Unit on the impact on industry of a rail strike; and Mr. Gregson's minute to me of 7 May, attached to which was a report by the Official Group on Coal (MISC 57) on the implications of a rail strike for power station coal stocks. Those present at the meeting were the Home Secretary, the Secretaries of State for Industry, Transport, Energy and Employment, the Chief Secretary, Mr. Sparrow (CPRS), and Mr. Gregson (Cabinet Office).

Your Secretary of State said that the report of the Railway Staff National Tribunal (RSNT) had broadly favoured the principle of flexible rostering but had proposed a number of safeguards which not only might reduce the financial benefits of flexible rostering but also offered ASLEF the opportunity to delay its introduction for a considerable period, even if they were now prepared to accept it in principle, which was far from certain. The ASLEF national executive committee was meeting that day to discuss the RSNT report. It was possible that they might reject it outright.

The British Railways Board (BRB) clearly could not acquiesce in a further rejection by ASLEF of flexible rostering. If, therefore, the ASLEF annual conference rejected the RSNT recommendations, the BRB would seek to impose flexible rostering. The timing of doing so was for consideration, but the BRB's present inclination was to wait until July before doing so, so that flexible rosters could be introduced simultaneously at a large number of depots. As set out in his minute, major industrial trouble was also threatened in other parts of the railway. The NUR had threatened to strike over the proposed closure of three major railway workshops; the TSSA was opposed to the major reductions in administrative staff being sought by the BRB; and

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the pay negotiations would be bound to be very difficult. Serious industrial trouble therefore seemed inevitable. He had discussed the situation with the Chairman and senior members of the BRB. Their present inclination was to seek to bring matters to a head early in June. Ministers therefore needed to decide what further guidance, if any, to offer to the BRB.

In discussion it was argued that it was for the BRB, not the Government, to proffer advice in the first instance as to what course of action to follow. None the less, the BRB would rightly expect advice from the Government at some stage on the implications of industrial action for the national interest. Before Ministers could properly consider this question they would need to have from the BRB a written assessment of tactics and timing for handling the present pay, productivity, and industrial relations problems; the range of options available would need to be set out, and the likely costs, consequences and outcome of each.

It was further argued that, subject to further consideration in the light of this assessment, there was much to be said for the conclusion that, if industrial action was inevitable, it would best begin in June. Power station coal stocks were now high and increasing, but a rail strike starting later than about the beginning of July might not allow adequate time for coal stocks to be rebuilt by the autumn. Moreover, in June electricity consumption and coal production were both low; and at that time of year the impact of a strike on commuters would be lessened. It might, however, prove difficult for the BRB to bring matters to a head early, if it were to be judged that that was the best tactic. A confrontation over pay might be most likely to attract public support for a firm stand by the BRB, even if their offer was very low or nil. But the trades unions would be likely to refer the dispute to the RSNT thus delaying the start of any industrial action until the autumn. Since no new money was available for British Rail, and their existing financial situation, following the industrial action earlier this year, was poor, the BRB would need to make clear from the outset that what (if anything) they could offer on pay was necessarily determined by their financial situation, and that there could be no question, in these circumstances, of allowing the negotiating machinery to over-ride their stance. Such an announcement, coupled with a low or nil pay offer, would be bound to lead to early industrial action, but the public presentation of such a stance would need careful consideration.

The Prime Minister, summing up the discussion, said that the Secretary of State for Transport should seek from the British Railways Board a written assessment of tactics and timing for handling their current pay and industrial relations problems, setting out the options available. Once that had been received, Ministers would need to meet again to assess the situation and to consider what further guidance, if any, the Government should offer to the Railways Board. In the meantime, however, and as a background to the BRB's own assessment, the Secretary of State

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for Transport, in consultation with the Chief Secretary, Treasury, should make clear to the Railways Board that no extra money was available. The Board would have to live within existing financial limits. The Railways Board should also be discouraged from assuming that success in withstanding industrial action would result in additional finance for investment later; the achievement of significant improvements in productivity, and the funds which they would release for economically and commercially sound projects, should be a sufficient incentive to the Board to adopt a robust stance. The Official Group on Railways Policy (MISC 72) should consider urgently the consequences of simultaneous industrial action on the railways and London Transport and the steps that might be taken, by both Government and the private sector, to alleviate them, including, in particular, the use of volunteers and issuing guidance on car-sharing. The Secretary of State for Industry should arrange for urgent and discreet consultations with the chemical industry about the impact of a rail strike on the distribution of industrial gases and the steps that might be taken to alleviate this. In the event of a rail strike, it would be important to take early steps to conserve power station coal stocks, including, in particular, maximising power station oilburn, coal deliveries by road and the transfer of electricity from Scotland through the interconnector.

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

*Yours sincerely,*

*Michael Scholar*

Anthony Mayer, Esq.,  
Department of Transport.





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PRIME MINISTER

The Railways

INTRODUCTION

The Railway Staffs National Tribunal (RSNT) under Lord McCarthy reported last Friday on flexible rostering, which was the source of the industrial trouble on the railway earlier this year. Your meeting tomorrow at 11.00 am is to discuss the issues which arise as a result of the RSNT report, which are reviewed in the Secretary of State for Transport's minute to you of 10 May and in the report attached to it by the Official Group on Railway Policy (MISC 72). Two other papers, both dealing with the impact of a rail strike, are relevant to the discussion, viz:

- i. my minute to Mr Scholar of 7 May covering a report by the Official Group on Coal (MISC 57); and
- ii. the Home Secretary's minute to you of 30 March, covering a report by the Civil Contingencies Unit on the main industrial implications of a rail strike.

THE RSNT REPORT

2. The industrial trouble on the railway earlier this year culminated in an ACAS Committee of Enquiry, with the same composition as the RSNT, which recommended a timetable for the discussion of flexible rostering in the various levels of the railways negotiating machinery. The outcome, not surprisingly, was a failure to agree and the matter was therefore referred to the RSNT. But the RSNT's report is not binding on the parties.

3. ASLEF's tactics during the RSNT hearings were to seek to demonstrate that the British Railways Board's (BRB) proposals on flexible rostering were unworkable and in support of this they cited a wide variety of reasons. ASLEF also showed no willingness to move away from the 8-hour day, although their evidence hinted that this might become negotiable if the financial inducements were large enough.





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4. The RSNT has found for the Railways Board on the principle of flexible rostering. They have also taken the BRB at their word that all but one of ASLEF's practical objections were without foundation, and recommended that the apparently very real fears of the drivers that flexible rostering would lead to a significant worsening of their conditions of service should be dealt with by the negotiation of a formal agreement on safeguards and criteria. In the light of their evidence to the RSNT it would be difficult for the BRB now to argue that this is an unreasonable approach, although some of the safeguards proposed by the RSNT may prove in practice to be too tightly drawn for the full productivity benefits of flexible rostering to be gained.

5. The major weakness of the RSNT recommendations is their proposed procedure for resolving disputes about the introduction of flexible rostering at local level. What they suggest is that where disagreements arise the introduction of new, flexible rosters should be deferred pending agreement within the established railway negotiating machinery. But they propose no timetable for the resolution of disagreements. The RSNT also recommends that the position on the introduction of flexible rosters should be reviewed after six months and that the agreement on safeguards and criteria should be extended unless at that stage the number of outstanding disputes is considerable and greater than envisaged. The clear implication, although this is not explicitly stated, is that if the number of disputes is considerable (which is not defined in the RSNT report) the flexible rostering agreement should be scrapped. Thus, even if ASLEF is prepared to accept the principle of flexible rostering as proposed by the BRB, the RSNT report offers them a very great deal of scope for delay and for obstruction.

MAIN ISSUES

6. The main issues for Ministers at this stage seem to be as follows:
- a. Is major industrial trouble on the railways inevitable this year?
  - b. For how long could a rail strike be withstood?
  - c. What should be the tactics and timing?
  - d. What advice should the Government give to the Railways Board at this stage?





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Is industrial action inevitable?

7. As the Secretary of State for Transport's minute illustrates there are currently a number of issues which could give rise to major industrial action on the railways, possibly involving all three trade unions. The proposal to close three major railway workshops and to seek large cuts in the BRB's administrative staff means that all three railway trade unions now have separate, major issues to fight with the BRB. At some stage the BRB will also want to try to make further progress with the other five productivity improvements which were agreed in principle in the context of the 1981 pay settlement; progress on them has been stalled pending the resolution of flexible rostering. Finally, a zero pay offer or an offer of perhaps 1-2 per cent deferred until the autumn, which is probably all that could be afforded in the Board's current chronic financial situation, would unite all three trade unions; their claim is for "substantial increases", thought to be about 14 per cent.

8. Given the range of major issues on which the BRB and the three trade unions are currently in dispute and, in particular, the possibility of difficult pay negotiations, there must be a high chance of serious industrial action on the railway this year.

Could a rail strike be withstood?

9. The three areas to be considered in assessing the impact of a rail strike (or major industrial trouble approximating to that) are:

- i. power station coal stocks;
- ii. the impact on industry; and
- iii. travel to work.

i. Power station coal stocks

10. There is no cause for concern now about power station endurance during a rail strike. With maximum oilburn it would not be less than 20 weeks in the event of an immediate all-out rail strike, even if the miners banned all movements of coal (which seems unlikely); even with very limited cooperation from the miners endurance could be very much higher.





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11. The more important consideration is the impact of a rail strike on power station coal stocks next autumn. There are too many variables for a precise analysis. But, as MISC 57's report shows, in the event of an early all-out rail strike, even one lasting for perhaps 8 weeks, power station coal stocks could probably be rebuilt by the autumn, although some increase in power station oilburn would probably be required. The most potentially dangerous situation is a rail strike starting late in the summer, as was threatened last year. An all-out rail strike during September and October could mean that by November power station endurance would be only about 12 weeks, even if the NUM agreed to allow the normal level of coal deliveries by road; if the NUM banned all movements of coal during a rail strike, endurance would be further reduced. If, as planned, power station coal stocks by November are to be at the maximum level physically possible, any industrial trouble on the railway would have to have been brought to a close by about the end of August; even then some increase in power station oilburn might be required during September and October if stocks are to be maximised.

ii. The impact on industry

12. The CCU report attached to the Home Secretary's minute to you of 30 March identifies iron and steel production, the chemical industry and some aspects of oil distribution as the most important areas in the event of an all-out rail strike. Of these, the distribution of industrial gases is the area of greatest concern. The CCU's assessment, based on very restricted discussions (for security reasons) between the Department of Industry and the chemical industry, is that the impact of an all-out rail strike on the delivery of industrial gases would be felt by industry within about 2 weeks and would be widespread and marked after 4 weeks; the engineering industry would probably be most seriously affected.

13. To avoid breach of security the Department of Industry has so far not explored the position in detail with the chemical industry or individual chemical companies. But if there is an all-out rail strike it is probable that it will last for significantly longer than 4 weeks. The importance of an interruption in supplies of industrial gases therefore needs further assessment. This will involve detailed discussions with some chemical companies, with a slight risk of breach of security. Nevertheless it would be desirable to ask the Department of Industry to produce a quick report.





SECRET

iii. Travel to work

14. Travel to work is only a problem in London but even there experience earlier in the year suggests that so long as London Transport services are operating normally, the impact is limited. If, however, there were to be simultaneous industrial action on London Transport, as the Secretary of State for Transport suggests in his minute, a large proportion of London commuters would find it difficult or impossible to get to work. In the event of a prolonged strike the effect of this could come to be serious.

15. Ministers will therefore need to consider what the chances are of serious industrial action on LT this year. So far Mr Livingstone has apparently encouraged the LT trade unions to campaign about cuts in services rather than hold out for a substantial pay increase. If that continues to be the case serious industrial trouble will probably not arise. But the GLC leadership is unpredictable and if they thought that they could embarrass the Government during an all-out rail strike by encouraging the LT trade unions to militancy, no doubt they would do so.

Tactics and timing

16. The key issue is whether the Railways Board should seek to confine industrial action to the narrow issue of flexible rostering, on which it would be supported by the NUM<sup>R</sup> and the TSSA; or whether it should be prepared to face simultaneous industrial action from all three trade unions on a wide range of productivity issues and on pay. The timing of industrial action on the railway also needs careful consideration.

17. Even if BR succeeds on flexible rostering, which seems likely to happen only after a period of industrial action by ASLEF, the other productivity issues and the pay negotiations will involve the high probability of further industrial action by the other railway trade unions or by all three in concert. There could therefore be a case, if the BRB thought it right, for broadening out any conflict to encompass a wider range of productivity issues than just flexible rostering and possibly also pay. Indeed, there might be advantages to the BRB in doing so. If the issue were to be only flexible rostering, ASLEF would probably seek to limit industrial action to the three day per week pattern of strikes which occurred earlier this year. In those circumstances the Board's tactics would probably be to escalate the dispute so as to increase the cost to the individual ASLEF member. But escalation in this





SECRET

way by the BRB carries risks in terms of public relations and also means that the Board would probably have to continue to pay the wages of NUR and TSSA staff while they were laid off. An all-out strike involving all three trade unions would be no more disruptive than an all-out strike by ASLEF, since without drivers the railway is immobilised, but the cost to the BRB would be greatly reduced since it would no longer be necessary to pay the wages of NUR and TSSA members (thus saving BR £17-25 million per week). An all-out strike involving all three railway trade unions would also circumvent the possibility that ASLEF may seek to have the question of flexible rostering incorporated into the pay negotiations; the other two trade unions may adopt similar tactics over their particular disputes with the BRB.

18. As to timing, the implication of the MISC 57 report is that if there is to be a rail strike the sooner it occurs the better. A strike in the early part of the summer would allow adequate time for power station coal stocks to be rebuilt before November and would also mean that industrial action was taking place during the warmer weather, thus lessening the misery for commuters. Moreover, the threat of a national docks strike could arise again in the autumn.

19. The ASLEF Executive will refer flexible rostering to their Annual Conference, which starts next Monday and lasts for a fortnight. It is, therefore, possible that serious negotiations about the RSNT proposals on flexible rostering might not begin until early in June and they could then drag out for some time. The BRB could precipitate early industrial action, if that were thought the best tactic, by, for example, making a nil or very low pay offer, announcing that it would introduce flexible rosters at a few depots from, say, the beginning of June, or seek to make unilateral progress on the other outstanding productivity issues, such as the single manning of the Bedford-St Pancras service.

20. Although it could be advantageous to bring matters to a head in this way, it would be important that neither the BRB nor the Government should appear to be forcing the issue. Otherwise the rail unions would have public sympathy from the outset. The handling would need extreme care.





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Advice to the BRB

21. During the industrial action earlier this year the Railways Board was told that the Government did not exclude the option of further disruption in the railway if the BRB judged that this was necessary for their strategy to succeed. But the BRB were told that they should consult Ministers before committing themselves to that course of action. Ministers need to consider whether to reaffirm this advice or to offer new guidance.

22. Before Ministers reach a final view on this and on the other questions above it would probably be useful to have at least an interim assessment from the BRB of the best tactics on flexible rostering; the possibility of industrial action over other issues, particularly pay; whether tactically it might be better to face industrial action on some or all of these fronts simultaneously; and the best timing of industrial action from the BRB's point of view. In due course it will be important to give the BRB guidance on whether further industrial action on the railway could, if necessary, be contemplated and on its timing. Ministers may however prefer for the moment to rest on the existing advice in paragraph 21 above and consider whether further guidance should be given on tactics and timing in the light of the BRB's own assessment.

HANDLING

23. You will want to invite the Secretary of State for Transport to introduce his minute. I suggest that you might then discuss the various issues which arise in the following order:

- i. the probability of industrial action this year: the Secretaries of State for Transport and Employment may wish to contribute to this;
- ii. whether industrial action could be withstood: the Secretaries of State for Transport and Industry will wish to comment on this. You will want to ask the Secretary of State for Transport for an assessment of the likelihood of simultaneous industrial action on London Transport; and to invite the Secretary of State for Industry to put in hand an urgent appraisal of the impact on industry of disruptions in the supply of industrial gases;





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iii. tactics and timing: the Secretaries of State for Transport, Employment and Energy, in particular, will wish to contribute to this part of the discussion;

iv. advice to the Railways Board: the Secretary of State for Transport should suggest what this might be in the light of the earlier discussion.

CONCLUSIONS

24. You will want to reach conclusions on the following points:

i. whether Ministers are disposed to take any preliminary views now on tactics and timing in relation to a rail strike;

ii. whether the BRB should be asked for an early assessment of tactics and timing;

iii. what should be said at this stage to the BRB, beyond what has been said already, about the Government's attitude to a rail strike;

iv. whether the Secretary of State for Industry should be asked to provide a quick assessment of the impact on industry of disruptions in supply of industrial gases;

v. whether any further work should be put in hand and, if so, what.

*PLG*

P L GREGSON

11 May 1982



PRIME MINISTER

British Rail

For your meeting tomorrow morning I think you will find it helpful to glance at Peter Gregson's covering minute to the latest MISC 57 report on the impact of a rail strike on power station coal stocks, as well as at David Howell's note of 10 May on the issues arising from the McCarthy Report.

I suggest that at your meeting we need to cover these issues:

(i) The McCarthy Report itself.

There is no need to spend much time on this, especially as ASLEF's considered reaction is not yet known, and may not be clear until after their annual conference later this month. The Government, BR and the media have, I think, all accurately assessed both the good and the bad parts of the award: the endorsement of the principle of flexible rostering, and the scope for ASLEF procrastination.

(ii) The handling of the flexible rostering issue in relation to other issues.

I think it is becoming less and less likely that the flexible rostering negotiations can be kept separate from the other issues facing BR. These include:

- a) this year's pay offer, discussed below;
- b) manpower cuts, both at the BREL workshops and among the members of the TSSA;

/(ii) (c) other



SECRET

- 2 -

- c) other productivity issues, including single manning of the Bedford-St. Pancras route;
- d) a possible coincidence of industrial action on BR and industrial action on LT. (Mr. Howell might be asked for his assessment of the likelihood of industrial action on LT, which he does not deal with in his minute.);
- e) the outcome of the Serpell Inquiry, which may well be available by the late summer, and which is bound to raise more difficult questions, including line closures;
- f) BR's financial position, also discussed below.

Of these, the dominant questions for Ministers are the handling of pay; and the handling of BR's finances.

On pay, BR has a history of swapping firm pay offers for discussions about productivity increases; that is what led to the current flexible rostering difficulties, and I am concerned to see from the third paragraph of Mr. Howell's note that that is what is again proposed. Given that it is most unlikely that the unions will, in fact, deliver increased productivity under present circumstances, the Board must face up to the fact that any pay rise will have to be kept to the absolute minimum justified by its present financial circumstances. That will clearly be in very low single figures.

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- 3 -

As for the financial situation, we must not let the Board think that we are going to let them off the hook. The 1982/83 EFL is already some £100m below what the Board says they need, even with a zero pay increase, and continued pressure will have to be kept up to ensure that they take the necessary remedial action on assets and the investment programme. We will need to refute the argument that, because strikes are expensive, there is no short term incentive on the Board to stand firm (by pointing to the longer term benefits).

(iii) The timing of industrial action.

There are a number of factors:

- a) passenger inconvenience is minimised if industrial action takes place in warm weather and during the holiday months, i.e. in July and August;
- b) the effect on coal stocks is sustainable as long as industrial action is over by about the end of August, thus providing two clear months to recover the position by increased oil burn. Protracted industrial action starting in the early autumn must be avoided, if possible;
- c) it may be easier to take on all the unions at once, because public support would be more robust than if there are a continuous series of disputes, and because it is better for BR not to have to pay some staff while others are stopping the railways running.

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- 4 -

All this points to our encouraging the Board to bring matters to a head soon, i.e. during June.

(iv) Guidance to the BR Board.

The issues are, therefore, complex and difficult, and it is not easy to find a way through them that meets our objective of improved productivity on the railways without running into a period of sustained industrial action. The missing ingredient at present is any coherent set of proposals from the Board on how to handle the issues, and what outcome they expect. Such proposals would, of course, raise issues for Ministers, notably on the extent to which we are prepared to sustain industrial action, and on our continued financial support for the railways; but in the absence of such proposals, it is hopeless for Ministers to provide guidance for the Board on individual issues.

Accordingly, I recommend that Mr. Howell tell the Board:

- a) The Government endorses the Board's position on the McCarthy Report, and wishes the Board to proceed to implement its recommendations without delay.
- b) The Government does not wish the Board to make a new pay offer to the railway unions until a clear set of proposals has been agreed for handling the whole complex of pay, productivity and industrial relations issues in prospect for the railways.

/c) The

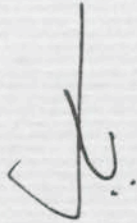
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- c) The Government wishes the Board to prepare such proposals by the end of May, on the basis of which further discussions between the Government and the Board could take place.



J. M. M. VEREKER

11 May, 1982

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CONFIDENTIAL

MR. MOUNT

c. Mr. Walters  
Mr. Scholar

BRITISH RAIL

John Palmer (the Under Secretary in charge of the railways), Graham Mackenzie (CPRS) and I saw Peter Parker, Clifford Rose and two of their henchmen also responsible for industrial relations (Wilcox and Urquhart) this afternoon, for the informal discussion which I mentioned in my note of yesterday. I made it absolutely clear that I had no authority to speak on the Prime Minister's behalf.

Peter Parker began with his reading of the new situation that has arisen following yesterday's vote on the NUR Executive. It is clear that the NUR Executive has drifted well to the left of Sid Weighell, and everyone was a little surprised that the moderates lost the vote (but only just - the strike call needed a two-thirds majority and the actual vote was 17 to 6). BR believed that ASLEF would now "join the war party", rather than wait for the imposition of flexible rosters on 4 July. The speculation in today's FT about BR willingness to increase the pay offer was unfounded: they had no intention of moving at all before the threatened strike date. Parker pointed out, I think rightly, that we must expect Weighell to make a convincing public case that the NUR have delivered on their promises, whereas the Board have not delivered on theirs.

I will not cover in detail all that Parker and Rose said, at considerable length, and often in a confused fashion, because previous sessions with the BR Board have often turned out to be misleading: their position changes rapidly from day to day. But there is one interesting new approach being developed by them. Parker and Rose both said that there were two possible sets of objectives that they could have. They could either seek a short, sharp strike, concluding with the delivery of the six disputed productivity items; or they could dig in for an extended shut-down - up to three months - in the hope of obtaining much wider benefits at the end: benefits including a complete restructuring of BR's negotiating machinery, and possibly even new contracts of employment for all staff. We were, needless to say, highly sceptical of the feasibility of this.

CONFIDENTIAL

/ The Board



The Board are clearly still worried about Ministers getting cold feet, either before or shortly after the beginning of a strike. I said that my judgement was that Ministers' feet tended to get colder when they could not see a clear scenario for bringing the dispute to an end, and that it would be helpful if we could be given some idea of the sort of settlement the Board envisaged. But whether from a desire to keep their cards close to their chest, or more likely because of a failure to think the problem through, we did not get this much clearer. As he has done before, Parker launched into endless railspeak about the need for a vision of the railways future, the importance of the Serpell Inquiry, restructured pay and conditions and grading, and a lot of codewords amounting to a plea for Government support for major new investments. But he did admit the possibility of putting some package to a vote at an appropriate stage; of having to dismiss all staff and then reinstating them on different terms; and of producing a balanced package of pay and productivity improvements. We shall keep hammering away at this, but I doubt if we will be able to present Ministers with anything much clearer, or that it would make much difference to the way BR behaved, if Ministers themselves were to make proposals.

J.M.M. VEREKER

10 May 1982





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Prime Minister

BRITISH RAIL - INDUSTRIAL RELATIONS

I attach an appreciation by the group of officials of Lord McCarthy's Report on flexible rostering for train drivers. This report comes at a time when several other industrial relations issues on the railways are coming to a head.

The NUR have threatened strikes against the proposal to close three major railway workshops, including Shildon. The Transport Salaried Staffs Association, representing some 50,000 white collar railway workers will resist the large administration job cuts the Board is seeking. ASLEF are now faced with the need to swallow the unwelcome findings of Lord McCarthy, since the Board would clearly not now acquiesce to further ASLEF rejection. There are other productivity issues which the Board have yet to press, such as the manning of the new Bedford-St Pancras trains.

In this year's pay round the unions have submitted claims for substantial increases, but the Board have so far made no offer (although the due settlement date of 19 April is long passed) and do not intend to make any offer until they have got the unions to a fresh discussion of business prospects and productivity needs. The unions will not come to that discussion in any spirit of co-operation at all, since they are now very much preoccupied by job losses, which political elements in the unions will increasingly try to blame on the effects of our economic policies.

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The fact is that with the losses of some £60m from the ASLEF dispute, the Board would in any case be unable to make a pay offer which the unions would regard as tolerable. The Board had originally provided for a general pay rise of about 4% with provision of an additional 1% for specific productivity changes. The general levels of settlements reached elsewhere in the public sector will have led the unions to expect a good deal more than that but, given the losses from the ASLEF dispute, the pay offer they could finance within their financial limits could be little more than zero. Each one per cent of rail pay will raise the Board's total costs by about £15m in a full year.

The chances of a major railway strike, involving all the unions, are now therefore high. This event could become connected with the London Transport scene, where the ruling group on the GLC are fomenting union trouble. The clearer we are in advance about how and when we wish to play our hand with British Rail, the better.

Considering only our policy towards the railways, it is essential that the Board continues to take a firm stand; we need then to decide what influences we wish to bring to bear to weaken union resolve for strike action and maximise Board incentives to fight through. But there are wider considerations, and we need to recognise the full political implications of a railway stoppage that could be prolonged, and which might not occur until considerably later in the summer.

For my part, I think we should stand firm, do what we sensibly can to help the Board, and urge them to bring the issues to a head as soon as maybe. If my colleagues feel that

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we should not be able to sustain a full rail strike, or only if it is soon, then it would be better to make that clear to the Board now.

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

DAVID HOWELL

10 May 1982

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BRITISH RAIL - ASLEF DISPUTE

Report by the Office Committee on railway policy

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

The RSNT findings

2. The Railway Staff National Tribunal (RSNT) has found in favour of British Rail's (BR) proposals on flexible rosters for train drivers, subject to a series of new safeguards and criteria to meet the objections of the Associated Society of Locomotive Engineers and Firemen (ASLEF). The Tribunal also recommends that the existing manning agreement in consequence be changed to permit rosters up to 9 hours to be single-manned. The RSNT also says that flexible rostering will permit the "minimum cost" introduction of the 39 hour week for drivers, with the implication that if ASLEF do not accept, then BR could withhold the shorter working week from them.

Status of the findings

3. The RSNT findings, which are non-binding, give no timetable for the implementation of their recommendations. In particular, the embodiment in an agreement of the safeguards and criteria recommended by the Tribunal offers scope for a good deal of negotiation.

Acceptability of the findings

4. The RSNT rejects the ASLEF case and effectively finds for the Board. The Board could not, therefore, now acquiesce in a further ASLEF rejection, nor could they seek to modify the recommended safeguards unless ASLEF also seek changes in them.

5. The safeguards envisaged by the RSNT are based largely on BR refutations of ASLEF objections to flexible rostering. Three in particular could reduce the full value of flexible rostering:-

- i. RSNT recommend that no more than 20% of turns should be worked above 8½ hours and that successive turns over 8½ hours should not normally be worked without mutual agreement. This



will restrict BR's ability to create additional rest days within the flexible rostering system and could limit BR's savings. The Board are considering this in more detail;

ii. RSNT recommend that new rosters should not affect the existing allocation of work to depots. While there is no direct connection this point could provide the union with an opportunity to obstruct unrelated but necessary changes in the future;

iii. RSNT recommend that (as in the Guards' agreement) management should, as part of the new agreement, forego for 6 months its right to impose new rosters despite disagreements at depot level, such disagreements being referred instead to the next level of negotiation ('sectional councils'); in the absence of goodwill this could allow much procrastination.

The Board's approach

6. Whilst BR will decide their preferred course in the light of ASLEF's reaction, their position must be to seek the application of the recommendations as soon as possible. But they must also take care not to make it more difficult for ASLEF to accept by pressing them too hard.

ASLEF's approach

7. The initial response by ASLEF's General Secretary was that the report was "unworkable". The report will be taken by the Executive of the Union. The Executive may reject it outright, or put it to the annual conference starting on 17 May, with or without a recommendation. If ASLEF reject the report outright, BR would wish to give time for pressure to be brought by the unions and TUC before announcing an intention to impose flexible rosters. ASLEF have other choices, which would relieve them of pressure from the other unions, the TUC and public opinion. They could accept the RSNT recommendation and leave the agreement to be frustrated by disputes at depot level. They could avoid rejection, but seek further concessions in other fields eg pay.

NUR's reaction

8. Although the recommended safeguards for inclusion in the agreement for drivers are more specific than those in the flexible rostering agreement for guards, they are not obviously more advantageous to the men. It is unlikely the report will lead the NUR to re-open



negotiations on the guards' agreement; the General Secretary has already commended the report.

The Board's readiness to impose flexible rosters

9. With the delay by the RSNT in producing its report, it is not now practicable for BR to impose flexible rosters with the introduction of new timetables on 17 May, as earlier envisaged. Their initial view is that if, in due course, ASLEF reject the report, BR would give warning that they will impose flexible rosters for drivers at the beginning of July when they would have them ready for the majority of depots. They could start earlier with fewer depots, but that is not at present their preferred course.

The Government's position

10. In spite of ASLEF's initial reaction, the RSNT report gives no reason for the Government to take a fresh position in public or to become more directly involved. Ministers might say that it is now for BR and ASLEF to set about implementing the report's recommendations, so as to gain the advantages it offers for the railway industry and its workforce.

Advice to the Railways Board

11. The Board will have to consider the flexible rostering issue in parallel with other industrial relations matters. Sir Peter Parker and his colleagues on the Board have already been told, in relation to flexible rostering, that Ministers would not exclude the option of facing further disruptions on the railways if the Board judged that their strategy made that necessary. But it has been made clear that the Board should consult Ministers before committing themselves to such a course. It is for consideration whether any different statement should be made to the Board or if they should be asked to take account of other considerations, such as the timing of any industrial action.



## SUMMARY OF RAILWAY STAFF NATIONAL TRIBUNAL FINDINGS

## FLEXIBLE ROSTERING

1. The Tribunal's decision is that the parties should agree to a 7-9 hour system of flexible rostering for footplate staff subject to the terms of a 'safeguards and Criteria Agreement'. The Tribunal recommends the modification of existing national agreements dealing with the 8 hour day and 'double manning', and says that their recommendations provide an effective alternative. The Tribunal finds against ASLEF's proposal to operate within limits set by the present national agreements, which would add to overall labour costs.

## SAFEGUARDS AND CRITERIA

2. The specific safeguards and criteria are as follows.

A. Hours of Work

- i. The majority of turns should not be above 8 hours.
- ii. Not more than 20% of turns should normally be above 8½ hours.
- iii. Successive turns in excess of 8½ hours should not normally be worked by drivers without agreement.
- iv. There should be no increase in the number of turns signed on or off between midnight and 5.00 am.
- v. There should be no increase in the travel problems for drivers getting to and from work.
- vi. Flexible rostering need not lead to greater uncertainty concerning future work pattern and the availability of time off.
- vii. 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; and
- viii. 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. Shift Swapping

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. Allocation of Work to Depots

It should not involve any alteration in the allocation of work to depots.

G. Manpower Considerations

It should not involve any alteration to traction training, existing link structures, and should not involve compulsory redundancies.

H. Driving Time

No change in permitted driving time will be involved.

I. Procedures for resolving disagreements

- i. Individual rosters should be decided jointly by Local Departmental Committees.
- ii. If disagreement arises new rosters should be deferred pending agreement within the machinery.
- iii. The position to be reviewed after six months experience.
- iv. The parties should agree an extension to the six month period, unless there is evidence of a large number of disputes.



## MODIFICATION OF MANNING AGREEMENTS

3. 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.

## ISSUES OUTSTANDING

4. There are two issues.

- A. There should be negotiations for specific rewards to staff directly affected by the new arrangements.
- B. Progress should be made on the items still outstanding in the Understanding on Productivity. These are the open station concept; the trainman concept; single manning of passenger trains; single manning of freight trains; and manning of traction units on which RSNT makes specific recommendations (see paragraph 1).



PART 3 ends:-

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PART 4 begins:-

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