



PRIME MINISTER

RAILWAY POLICY

I shall unfortunately not be able to attend the meeting of E Committee on Tuesday 14 April when discussion of railway policy will be resumed.

I think it right therefore to let you and other colleagues know that I am doubtful about Norman Fowler's proposal that the Government should make clear that a major programme of electrification schemes on main lines should not be started until new productivity agreements have been signed with the unions securing the progress proposed in the Corporate Plan; and that commitments to electrification should be staged according to the improvements achieved.

There is much to be said for using the prospect of investment in a generalised way as a lever to get productivity concessions from the unions. But there are risks involved in the Government insisting that the former should be conditional on the latter. As John Biffen pointed out in his minute to you of 27 March on pay in the nationalised industries, suppliers in the private sector, and the jobs of their employees, are the first to suffer if funds for capital investment in a nationalised industry are denied. And in the longer term it will be the industry's customers who will suffer through reduced service or higher costs. If electrification, as it appears, is a sound investment in its own right it would be counter productive to refuse to fund it on the ground that the unions declined to sign productivity agreements.

Moreover the productivity concessions sought are far reaching. They can only be secured gradually. It is just not realistic to believe that the unions will sign up all at once for the many changes looked for, and the pace of electrification, given the need for much



advanced planning, cannot be made specifically dependent on the pace at which productivity improvements can be realised.

Lastly I feel sure that it would be better for the Board, rather than for the Government, to use the productivity card. This puts the Government at one remove; and it enables the Board to play the card in a way which fits with their negotiating strategy.

I am sending copies of this minute to our colleagues on E Committee, to Norman Fowler, George Younger, Nicholas Edwards, Robin Ibbs and Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be "JP".

J P

13 April 1981