

in the ...

Prime Minister

*Contact with
proposal of*

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*Yes
no*

x ?

TL

17/7

Prime Minister

RAILWAYMEN'S PAY

I said I would report further developments.

The British Railways Board will meet to decide their best course at 9.30 on Monday morning and will probably need to meet the Unions on Tuesday. Peter Parker's present view, which I believe the Board will endorse, is that to reject the McCarthy recommendations and stand on the Board's earlier 7% offer will precipitate a major strike on a basis which the Board would not win. His preferred course therefore is to be to go to 8% and fight hard to limit the damage of the McCarthy recommendations by insisting that the second 3% stage should be deferred and paid only on the signature of new working agreements. Unless the unions now resile from plans agreed earlier this week, detailed negotiations are to take place at the end of this month on such matters as freight train manning, flexible rostering, and reduced staffing of stations. All these would bring worthwhile economies, but the major financial benefit in 1981/82 would be in whatever deferment of the 3% is secured. Even on this basis I cannot rule out the prospect of industrial action, given particularly the reported surrender by the GLC on the London underground and what other industries have conceded earlier in the pay round.

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I propose to tell the Board before their meeting that while an 8% payment may now be unavoidable, my preference is that they should not offer anything further until the means

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to pay the whole cost have been fully secured - preferably by productivity improvements. If they wish to argue for a different course, they will need to do so before they meet the Unions.

Copies of this go to the Home Secretary, the Chancellor of the Exchequer, the Chancellor of the Duchy, the Secretaries of State for Industry, Employment, Environment and Trade and to Mr Ibbs and Sir Robert Armstrong.

NORMAN FOWLER

17 July 1981

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