

CONFIDENTIAL

PRIME MINISTER

RAIL PAY AND PRODUCTIVITY

All the rail unions have now announced their acceptance of the agreements with British Rail on pay and productivity under the auspices of ACAS. I have welcomed this as an important step towards a more efficient and cost-effective railway. At the same time I have warned that no one should be in any doubt about the urgent problems the industry faces. I shall in fact be having a full discussion of these problems with Sir Peter Parker and his Board in early September.

We have all attached great importance to British Rail's strategy, in their Corporate Plan, to reduce the railway's manpower needs by 38,000 jobs over 5 years. Today's agreement, now to be followed by much detailed negotiation, will produce an important contribution to that but there is more still to come. Today's agreement contains an explicit commitment by the parties to continuing progress. Sir Peter Parker has spoken of taking 14,000 men off his payroll in two years, and the progress on this helps to finance the settlement.

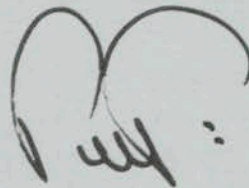
I think it is worth underlining that the settlement gives railwaymen nett pay increases below 10% in the year - because the 3% is retrospective only to August, and is partly offset by the deferment of the 39 hour week that was won from the Unions in the last hours of the negotiations.

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Sir Peter Parker has done well, under the handicap of the McCarthy Tribunal, to win a major movement on productivity on these terms - without in the result increasing the Board's needs for external finance on this account in 1981/82.

I am copying this to all Cabinet colleagues and to Sir Robert Armstrong.



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NORMAN FOWLER

21 August 1981

**CONFIDENTIAL**





10 DOWNING STREET

PRIME MINISTER

Mr. Fowler's officials stand by his attached report, despite the weekend media reports of confusion over the agreement. BR are, apparently, clear in their minds that the commitment to detailed productivity discussions is linked to the agreement to pay an extra 3% - backdated - on 1 January.

MA

MS

24 August 1981

*Dictated by Secretary  
1945hr 20/8/81*

**CONFIDENTIAL**

PRIME MINISTER

RAIL PAY AND PRODUCTIVITY

The meeting under the auspicious of ACAS has concluded tonight with the Unions taking separate proposals on productivity and pay back to their Executives. The Executives of all three Unions will be having a joint press conference at 2.30 pm tomorrow to announce their decision on whether the strike is to go ahead or not.

The propositions are separate ones for productivity and pay. On productivity it is exactly as I outlined this morning together with a reference to maintaining the momentum of the strategy of change. On pay, the Board has secured an arrangement for no increase beyond 8% to be paid before 1 January 1982, but the 3% would then be paid retrospectively from August this year. The cost of this 3% would be fully met by two months postponement of the move hitherto scheduled for November to a 39 hour week and by other measures. But the major contribution to financing the 3% will come from the faster demanning which I explained this morning. The effect is that the Board are now in balance with their original provision in their budget for pay for their workforce in 1981/82. I understand that the Unions are not intending to give any further publicity to making any further statements tonight, and I intend to do the same. I will report to you tomorrow on the outcome.

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I am sending copies of this minute to Willie Whitelaw, Geoffrey Howe, Keith Joseph, Jim Prior, John Nott, David Howell and Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be "N. Fowler", is written over a horizontal line.

NORMAN FOWLER

20 August 1981

**CONFIDENTIAL**



*L. Mr Walters  
Mr Duguid  
Mr Venner.*



*Mr. Transport*  
Prime Minister

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Norman Fowler MP  
Secretary of State  
Department of Transport  
2 Marsham Street  
London SW1P 3EB

28 August 1981

*Dear Norman,*

*mf*

#### BRITISH RAIL PAY AND FINANCES

You reported in your minute to the Prime Minister of 21 August the outcome of the discussions on pay and productivity which have been taking place under the auspices of ACAS between British Rail and the rail unions. The lifting of the threat of industrial action is of course very good news and, as you say, the productivity side of the agreement offers an opportunity for real progress on the railways. Clearly much will depend on the detailed negotiations over the coming months and I hope you will be able to keep us in touch with these. In the meantime, there are one or two points arising from the settlement which I think can and should be clarified now.

With regard to the immediate financial implications, I am glad that British Rail can meet the cost of settlement without increasing their need for external finance in 1981-82 by the £9-13 million which had previously been thought might be necessary. This does not, however, detract from the need to tackle their existing overshoot of some £70 million. I emphasised in my letter of 3 August the need to keep up the pressure on the Board on this score, and I hope that you will use the opportunity of your discussions with Sir Peter Parker in early September to confront him plainly with the need to reduce BR's excessive financing requirement.

On the productivity side we shall need to take stock when we know precisely what changes will actually take place and when. But it is worth mentioning now one aspect of this part of the settlement which causes me considerable concern, namely the little publicised clause reaffirming that

"Specific rewards will be negotiated for those staff whose responsibilities are directly affected under these agreements."



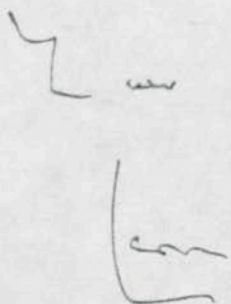
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The Board have already conceded an additional 3% on this year's pay settlement, supposedly in return for these undertakings on productivity. The prospect of yet more payments further reduces the long term net benefits of these changes to the Board and in the short term will add directly to their costs. I am not clear how the Board justify this part of the agreement and I would be grateful for any light which you can shed on this.

The possibility of further payments also underlines the point I put to you in my letter of 30 July about the need to prevent the Board attempting to use the benefit of productivity improvements several times over. These productivity improvements have already been largely mortgaged to finance this year's pay settlement and I see that the consequent need to seek new productivity initiatives to finance investment and electrification was recognised at the meeting held by the Prime Minister of 20 August.

✓ We cannot allow the Board to believe that what they have secured is in any way sufficient to justify electrification. I hope therefore that you will use the opportunity of your meeting with Sir Peter Parker in early September to impress upon him the need for new and specific productivity initiatives for this purpose. It would be useful to know as early as possible if there is any problem in identifying or securing the Board's acceptance of the need for new initiatives.

I am copying this letter to the Prime Minister, to Willie Whitelaw, Geoffrey Howe, Keith Joseph, Jim Prior, John Nott, David Howell and to Sir Robert Armstrong.



LEON BRITTAN

SEP 1 1981

11 12 1 2 3 4  
5 6 7 8 9 10



26 August 1981

The Prime Minister has seen and noted your Secretary of State's minute of 21 August reporting the agreement reached between British Rail and the rail unions on that day.

I am sending a copy of this letter to David Wright (Cabinet Office).

M A PATTISON

Anthony Mayer, Esq.,  
Department of Transport.

JMP