

SUBJECT

cc Master



SECRET - PERSONAL

File

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McJ Vankar

10 DOWNING STREET

From the Private Secretary

18 February 1982

Dear Anthony,

The Prime Minister held meetings at 1715 on 16 February and at 1500 and 1830 on 17 February to consider the implications of Lord McCarthy's report on the railway dispute. They were attended by the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Scotland (first two meetings only), Transport, Energy and Employment, Sir Robert Armstrong (first and third meetings only), Mr. Ibbs and Mr. Wade-Gery. At the first of these meetings your Secretary of State circulated a note by his officials entitled "McCarthy Inquiry Recommendations"; and the second meeting had before it Mr. Wade-Gery's minute to me of 15 February covering a report by MISC 57 on power station endurance.

Ministers' conclusions, at the end of the third meeting, were as follows:

- (a) No advice need be offered to the Chairman of the British Railways Board for the time being. He was responsible for the continuing negotiations and nothing should be done to weaken his position.
- (b) If the outcome of the current negotiations left him with a defensible basis for accepting the McCarthy report, he would no doubt do so on his own responsibility.
- (c) Failing that, he had undertaken to consult your Secretary of State further. If this point were reached, Ministers would need to consider carefully what advice he should be given. They should not attempt to take that decision without time for reflection; and they would need to have before them a paper analysing the possible options.
- (d) Your Secretary of State and his officials would be responsible for preparing that paper. They should consult the Departments of Employment and Energy, the CPRS and the No. 10 Policy Unit; and the Cabinet Office should provide any appropriate assistance required.

/ (e)

SECRET - PERSONAL

(e) As a potential contribution to the paper, Department of Energy officials should urgently prepare, in consultation with the Cabinet Office and others concerned, an analysis of the effect which closure of the railways for varying lengths of time as a result of the present dispute could have on the level of power station coal stocks by the beginning of November. This analysis should include consideration of the maximum steps which it would be practicable to take to rebuild such stocks once the railways reopened.

(f) If the McCarthy report were now accepted, on a basis which pointed towards a satisfactory productivity settlement with ASLEF in mid-March, a very serious situation would arise if at that stage such a settlement in fact proved impossible e.g. because ASLEF refused to accept a Railway Staffs National Tribunal Award which was a satisfactory outcome on productivity. Neither the British Rail Board nor the NUR could tolerate such a development, and renewed industrial action might well result. The Government would need to make clear that they saw no future for the railways unless productivity was improved; that they were not prepared to finance a high-cost low productivity railway; that, in such a situation, the railways would have to look for alternative, internal, sources of funds, by, say, disposal of their assets, with serious consequences on their investment and employment.

Further to (e) above, following Cabinet this morning, the Secretary of State for Energy had a word with the Prime Minister about rebuilding coal stocks. It was agreed, subject to Treasury agreement on the financial implications of these measures, that maximisation of both road delivery of coal to power stations, of oilburn, and of use of the Scottish link, should continue for the time being, notwithstanding the removal of the immediate threat of a rail strike.

I am copying this letter to Andrew Jackson (Home Office), John Kerr (H.M. Treasury), Muir Russell (Scottish Office), Julian West (Department of Energy), Barnaby Shaw (Department of Employment), David Wright (Cabinet Office), Gerry Spence (CPRS) and Barbara Wallen (Cabinet Office).

Yours sincerely,

Michael Scholten

Anthony Mayer, Esq.,
Department of Transport.

RM

GR
Please type

SECRET AND PERSONAL

Draft letter to Mr Mayer, D/Transport
from Mr Scholar

Mr. Scholar.

Phoneline 7.
18/2/82.

The Prime Minister held meetings at 5.15 pm on 16th February and at 3.00 pm and 6.30 pm on 17th February to consider the implications of Lord McCarthy's report on the railway dispute. They were attended by the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Scotland (first two meetings only), Transport, Energy and Employment, Sir Robert Armstrong, Mr Ibbs and Mr Wade-Gery. At the first of these meetings your Secretary of State circulated a note by his officials entitled "McCarthy Inquiry Recommendations"; and the second meeting had before it Mr Wade-Gery's minute to me of 15th February covering a report by MISC 57 on power station endurance.

2. Ministers' conclusions, at the end of the third meeting, were as follows.

- (a) No ~~further~~ advice need be offered to the Chairman of the British Railways Board for the time being. He was responsible for the continuing negotiations and nothing should be done to weaken his position.
- (b) If the outcome of the current negotiations left him with a defensible basis for accepting the McCarthy report, he would no doubt do so on his own responsibility.

(c) Failing that, he had undertaken to consult your Secretary of State further. If this point were reached, Ministers would need to consider carefully what advice he should be given. They should not attempt to take that decision without time for reflection; and they would need to have before them a paper analysing the possible options.

(d) Your Secretary of State and his officials ^w should be responsible for preparing ^{that} ~~this~~ paper. They should consult the Departments of Employment and Energy, the CPRS and the No. 10 Policy Unit; and the Cabinet Office should provide any ~~assistance~~ appropriate *assistance required.*

(e) As a potential contribution to ^{the} ~~this~~ paper, Department of Energy officials should urgently prepare, in consultation with the Cabinet Office and others concerned, an analysis of the effect which closure of the railways for varying lengths of time as a result of the present dispute could have on the level of power station coal stocks by the beginning of November. This analysis should include consideration of the maximum steps which it would be practicable to take to rebuild such stocks once the railways reopened.

(f) If the McCarthy report were ^{now} ~~not~~ accepted, on a basis which pointed towards a satisfactory productivity settlement with ASLEF in mid-March, a very serious

situation would arise if at that stage such a settlement ^{in fact} proved impossible eg because ASLEF refused to accept ^a the Railway Staffs National Tribunal's award. Neither the British Rail Board nor the NUR could tolerate such a development, and renewed industrial action might well result. The Government might need to make clear (in such circumstances) that they saw no future for the railways unless productivity was improved; that ~~they could not therefore provide money to finance the extra 3 per cent pay rise for ASLEF in the absence of such improvement; and that the railways' prospects as regards investment and employment would be bound to suffer.~~

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and employment.*

3. I am copying this letter to the offices of others present at the meetings.