

SUBJECT

SECRET AND PERSONAL

Transport 22



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From the Private Secretary

16 March 1982

Dear Anthony,

COAL AND THE RAILWAYS

The Prime Minister held a meeting yesterday at 1515 to discuss your Secretary of State's minute to her of 11 March, attached to which was a report by the Official Group on Railway Policy (MISC 72) on the ASLEF dispute; and Mr. Wade-Gery's minute to me of the same date, attached to which was a report by the Official Group on Coal (MISC 57) on power station coal stocks. Those present were the Home Secretary, the Secretaries of State for Energy, Transport and Employment, the Chief Secretary, Treasury, Sir Robert Armstrong, Mr. Ibbs and Mr. Wade-Gery.

Ministers first discussed the MISC 57 report. The Prime Minister, summing up this part of the discussion said that Ministers agreed that fully super-accelerated deliveries of coal to the power stations should continue until further notice, as the Secretary of State for Energy had proposed. Extra power station oilburn and the export of power from Scotland should be terminated at the end of March. If in the event it proved necessary to conserve power station coal stocks these measures could be reintroduced quickly. The extra costs involved in super-acceleration could be met from the Contingency Reserve. The Department of Energy should bring to a conclusion its urgent investigation as to whether it would be practicable for power station stocks of ancillary materials to be increased in line with coal stocks. MISC 57 should report on the scope for increasing the capacity of the interconnectors with Scotland and France, the costs and timescale involved in doing so and in the French case the reliability of supplies in an emergency; and they should examine the scope for extending the dual-firing of power stations, particularly with gas as the alternative fuel, since there seemed likely to be an over-supply of gas on the world market for some time. They should also consider whether in the longer term there were ways of reducing dependence on the railways for the delivery of coal to the power stations, e.g. by installing slurry pipelines in some cases.

The discussion then turned to the railways. Your Secretary of State said that the Rail Staff National Tribunal (RSNT) was meeting yesterday and today. Its findings would be published probably on Thursday 25 March, but possibly as early as 23 March. If the RSNT recommendations were acceptable to the Railways Board (as the Board now thought likely) they would probably announce immediately their intention to introduce flexible rostering from the end of May, when the new timetable came into force; to do so earlier would involve a great deal

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of work on preparing rosters, many of which would subsequently have to be extensively revised. If the RSNT recommendations were inconclusive or favoured ASLEF, the Railways Board would probably seek to pursue flexible rostering and other productivity improvements in the context of the 1982 pay negotiations. The Railways Board was already in poor financial shape. Given the costs of the strikes earlier this year it would probably be necessary for the Board to generate an extra £100 million in 1982-83 from faster asset sales. If there were a further strike it was, in his view, unrealistic to expect the Board to absorb the costs involved; if the Government adopted this stance the Board could well be deterred from continuing the fight for improved productivity. He therefore recommended that the Board should be told now that in the event of a further strike the Government would meet at least part of the costs involved provided that the outcome was satisfactory agreement on improved productivity.

In discussion the following were the main points made:-

- (i) It was regrettable that the Railways Board could not immediately introduce flexible rostering on at least some routes in the event of acceptable recommendations from the RSNT.
- (ii) There should be no question of the Government meeting part of the costs of any further rail strike as long as the Railways Board continued to make unacceptably slow progress with asset sales. Private sector companies could well be forced to realise assets following a major industrial dispute, and the same discipline should therefore apply to the nationalised industries. In any case, the Railways Board might well regard the cost of a strike as an acceptable price to pay for necessary improvements in productivity.
- (iii) If the RSNT award proved to be completely unacceptable the Railways Board should be ready to reject it and to insist on the implementation of flexible rostering, even if that meant a major strike. It would be preferable for the 1982 pay negotiations and the introduction of flexible rostering to be kept separate. But if in the Railways Board's judgement the best course was to pursue improved productivity in the context of the pay negotiations it was important that the issue should be brought to a head quickly, since the threat of a strike as late as August (as had developed during the 1981 pay round) would be undesirable from the point of view of power station coal stocks.
- (iv) It had been suggested that the form of the ACAS enquiry into the Railway dispute had been constrained by ACAS' terms of reference. This needed investigation.

The Prime Minister, summing up the discussion, said that Ministers would need to meet again as soon as the RSNT's conclusions were known, and preferably before they were published. If the RSNT recommendations were to prove unacceptable to the Railways Board, or if ASLEF were to refuse to accept the RSNT award, the Railways Board should be encouraged to stand firm to achieve

/the improvements

the improvements in productivity which were essential to the future of the railway. But it should not be suggested that the Government would meet the costs of winning a further rail strike while the Railways Board had assets they could realise. The Secretary of State for Employment should consider urgently whether there was a need to alter the terms of reference under which ACAS operated. Finally, the Civil Contingencies Unit should arrange for the impact of a possible rail strike on the steel and chemical industries and on oil supplies to be investigated further. If necessary, the industries concerned could be consulted in confidence.

The Prime Minister has considered further the implications of the new assessment of the rate at which new rosters would be introduced by the Railways Board for ASLEF. (The MISC 72 Report had said that this could be done depot by depot, but that it might be mid-April before BRB were ready to impose new rosters; but your Secretary of State reported the latest judgement of the Railway's Board that it would make far worse industrial relations to introduce the rosters one by one rather than to wait until they were all agreed and introduce them all at once). The Prime Minister's view, however, is that the process of introducing the new rosters would better begin straightaway, since

- (i) Introducing them all at once provides a grievance for all the drivers at the same time, whereas introducing them gradually does not.
- (ii) The climate of public opinion will be most favourable towards the new rosters immediately after McCarthy reports.
- (iii) The more time passes, the more entangled this becomes with the new pay offer, and the greater the risk that the productivity issues will sink without trace.
- (iv) And the more time passes, the more likely it is that industrial action on the railways will take place after the summer holidays, when it does most damage to coal endurance.

In the light of this, the Prime Minister would be grateful if your Secretary of State would bring to the next Ministerial meeting on this subject an assessment by MISC 72 generally of the implications of the RSNT award; and in particular of the pace at which the Railways Board ought to be encouraged to proceed with the introduction of flexible rostering. Meanwhile the Board should be given clear instructions to take no precipitate action - either to bring on a strike or to abandon its productivity objectives - upon receipt of the RSNT award without consulting Ministers.

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

Yours sincerely,

Michael Scholar

Anthony Mayer, Esq.,
Department of Transport.