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Prime Minister (2)

MUS 7/7



The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON
SW1

7 July 1982

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PAYMENT OF PUBLIC SERVICE OBLIGATION GRANT TO BR

Following the decisions at the Prime Minister's meeting on 22 June, the weekly payments of public service obligation (PSO) grant to meet the cost to BR of running the passenger railway have now been suspended. The Board has been paid the grant due up to Saturday, 3 July. The payment which would normally have been made today has not been made, and I propose to announce the suspension of grant in a written Parliamentary Answer tomorrow.

As the NUR strike which began on 28 June seemed likely to be a continuing disruption, I had arranged to withdraw grant from that date. But as the NUR Executive's decision was quickly reversed by the membership, 40% of whom did not strike, I decided to treat that dispute as a temporary interruption.

While it is clear that the ASLEF Executive are resolved on an indefinite strike, there are clear signs that support for it is not universal. On Monday the Board managed to run about 1,000 passenger trains out of 15,000 (though no long distance trains). Yesterday they got the level up to 1,400.

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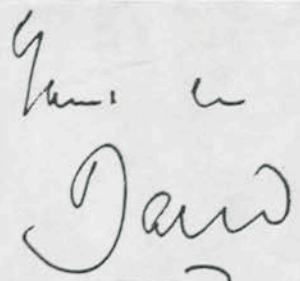
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There has been a further improvement today. But so far there is clearly nowhere near an acceptable level of service on which commuters and others can depend.

However, I think it would still help if my announcement did not close the possibility of a partial resumption of grant, which I am advised would be legally possible. It might be that in the coming week this would provide us with a means of exploiting an improving situation if there is one and would show those members of the workforce ^{who came in} and commuters that the Government was prepared to pay for an improving level of service. I would of course put such a proposal to you and other colleagues beforehand if I judged that such a move might be helpful.

I should be grateful for agreement to my making a written announcement tomorrow in the terms of the enclosed draft. I should be grateful for any comments by midday tomorrow.

Copies of this letter go to the Prime Minister, the Home Secretary, the other members of MISC 80, the Lord President, the Attorney General, Mr Sparrow and Sir Robert Armstrong.


DAVID HOWELL

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DRAFT ARRANGED PQ

To ask the Secretary of State for Transport what payments of public service obligation grants he is making to the British Railways Board during the current disruption of railway services caused by the ASLEF strike.

DRAFT ANSWER

Grant is due to the Board under section 3 of the Railways Act, 1974 as compensation for complying with the formal obligation placed on them under that Act to operate the passenger railway. Since the strike by ASLEF has prevented them from complying with this obligation from Sunday, 4 July, payments of grant have been suspended. If the situation changes, and the Board are successful in their efforts to run an adequate level of service, I shall be prepared to reconsider the position.

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