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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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

Prime Minister ①

Agree not to intervene?

M/S 26/5

26 May 1983

Private Secretaries
to the S/S & Transport
& the Chancellor informed
of this agreement by
phone today

✓

ms

27/5

De Selby

RAILWAYMEN'S PAY

In your minute of 17 May to the Prime Minister you foresaw that BR would probably be making a pay offer towards the end of this month and suggested that I should forewarn colleagues about what is proposed.

The Board have now told me that they believe there is a chance of securing a low and quick settlement if they move in the next few days and that they propose to make an offer at a meeting of the RSNC next week.

When they drew up their Budget for 1983, they made allowance for a maximum 4% increase in pay. Their proposal is to end up with a cash settlement that does not exceed this figure.

The Board contend that this is the best way to secure full acquiescence in further major manpower reductions and administrative economies planned for this year.

The Board think it unlikely that any of the Unions would take the offer to the McCarthy Tribunal. But if there is any suggestion of a reference to the Tribunal the Board would withdraw its offer.

Between now and the day of the meeting the Board will be looking further at ways of formulating their initial offer so as to steer between prompt rejection and attempts to push them above their limit.

I have left the Board in no doubt about the Government's view that they should go for the lowest possible settlement and indeed that pay rises should be offered only for increased productivity, and if they go this route they should certainly open the negotiations at less than 4%.

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However, while the Board do plan further extensive de-manning and productivity improvements they do not want the kind of linkages in the 1981 agreement, which proved so susceptible to fudging, and I think they have a point.

If we now intervene in this process or seek to delay it, this could clearly run political risks without any very obvious gain. So unless my colleagues have any further views (which I'd be grateful to receive by the morning of Tuesday 31 May at the latest) I propose to let the Board go ahead with their meeting and see whether their judgement about getting a quick and low settlement is well founded.

I will keep colleagues informed of developments. I am sending copies of this letter to the Prime Minister and to the members of the 'E' Committee, to Sir Robert Armstrong and Mr Sparrow.

Yours
David

DAVID HOWELL

26 May 1983
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~~cc. N.O.~~
Mr. Scholar - to see on return
NBPM

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

27 May 1983

The Rt Hon David Howell
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON SW1P 3EB

New Secretary of State,

BRITISH RAIL PAY

You wrote to me on 26 May about the offer the British Railways Board propose to make to attempt to secure an early settlement with their employees. British Rail's financial position underlines the need for the lowest settlement possible in this case. 4 per cent is not ideal for BR - and presentationally it would be valuable if a settlement fractionally below 4 per cent could be secured. But I agree that an early and smooth settlement at a moderate level has attractions, and that British Rail should seek to secure a settlement on this basis.

My main concern has been whether or not this year's settlement should be used as a further opportunity to pursue the productivity initiatives British Rail so badly need to implement. I accept at this stage that an explicit linkage with productivity would probably not achieve materially faster progress; and could hinder progress. But the unions should be left in no doubt that if problems develop later in the year in implementing changes in working practices, next year's pay settlement will be jeopardised.

I am copying this letter to the other recipients of yours.

*Yours sincerely,
John Kew*

PP GEOFFREY HOWE

(Approved by the Chancellor.)

Mr. [illegible]

1983

27 June 1983

