

**CONFIDENTIAL**

✓ AW  
AD  
JV

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Prime Minister

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Agree that approval be given for this electrification?  
(The Policy Unit and the Treasury offer no objection)

See query not

MCs 25/11

In view of past discussions you will wish to be aware of the move I now think it necessary to make in the complicated and difficult situation we face on the railways. We are about to impose on the Board an External Financing Limit for 1982/83 substantially tougher than anything they have thought possible, and to help Sir Peter Parker to achieve this, I must give him all the backing I can in his difficult dealings with his unions; substantially further progress there, must be cardinal to his success in meeting our requirements.

It is in this context that I have considered the project for electrifying the services to Norwich. Here we have a project which on any economic test must be acceptable, with a real rate of return of 19%. It has already been submitted separately to Norman Fowler as a project in its own right, before we came to consider the more general proposals for main line electrification and whatever we decided on it therefore carries no commitment to any wider change or is any precedent for it. Moreover, although the project has come in early, it involves no expenditure until 1984. (I shall need better justification from the Board for the other limb of their proposal, which is to extend the electrified services from Royston and from Bishops Stortford to Cambridge). The worth of the Norwich scheme would of course need to be confirmed before final commitment nearer the time.

How is this calculated?

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The Board are able to report good progress in demanning this year. At the start of the year they budgeted to reduce the number of men employed on the railway by some 3,800. By the time of the pay negotiations in mid-year, they were expecting to achieve between 5,000 and 6,000. They are about to pass the 7,000 mark and Sir Peter Parker is confident of doing better than that by the end of 1981. In addition, the numbers employed in BREL have been cut by over a thousand. This is very good progress, and it is vital that the Board should keep up the momentum into next year.

At the same time the Board have been reporting very good progress in reducing the number of complemented posts. Their Corporate Plan envisaged a reduction of over 8,000 by the end of 1981, towards the target of 38,000 by 1985. The achievement will be very substantially better - when Sir Peter Parker saw me recently he told me that he hoped that they would get as far as 14,000 by the year end. At the same time the separate question of the changes in working practices, on which the extra three per cent was accepted in last August's pay deal, is being negotiated - with some progress but also with considerable inter-union difficulty, NUR being cooperative but ASLEF obstructing. I can foresee some very tough passages before the unions are brought to fulfil their commitments and the extra three per cent is paid. But meanwhile I believe that some signs of recognition of the accelerated demanning already being achieved is vital to our success in keeping up the pressure on all fronts for continued change next year and getting the Board through its difficulties.

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I have concluded - and the Chief Secretary, whom I have consulted, accepts my judgement - that to help Sir Peter Parker forward when he needs it in picking his way through all these negotiations, he should in concert with me and with my prior agreement be able to select the time for an announcement that we have given the approval he seeks to the electrification of the line to Norwich. I judge that this is now an essential card that we must put into his hand, if he is to continue to keep the support of those elements in the unions who are prepared to move with his plans for the necessary changes in the railway and to prevail over those who continue to resist.

I am sending a copy of this to the Chief Secretary and to Sir Robert Armstrong.

*DH.*

DAVID HOWELL  
20 November 1981

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