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DEPARTMENT OF TRANSPORT
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Prime Minister ⁽²⁾
To note

AT 11/3

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

7 March 1984

Dear Nigel

BR PAY IN 1984

Bob Reid came to see me yesterday afternoon to explain how he plans to handle the related issues of pay and productivity this year as part of his drive towards the achievement of the tough grant target we have set him for 1986.

At the meeting of the Railway Staff National Council (RSNC) on 23 February, the Board made it clear to the unions that a pay settlement for this year would be dependent on their agreement to the next steps Bob Reid has identified on footplate manning, and on conversion to driver-only operation of specific freight and passenger services. The unions were sent away to reflect on this. The next meeting of RSNC is likely to be held next Thursday.

Bob Reid expressly asked me if he would have the Government's backing for maintaining the tough line he wishes to take at that meeting and subsequently. Tactically, his aim is to separate the union leaders, some of whom he judges want confrontation, from their members, most of whom are moderate and would probably prefer to settle without disruption. He would therefore, go direct to his workforce to explain his proposals immediately after he has put them to the RSNC next Thursday. He would indicate that, provided there was acceptance of the specific productivity changes, a pay offer of up to 4% could be made.

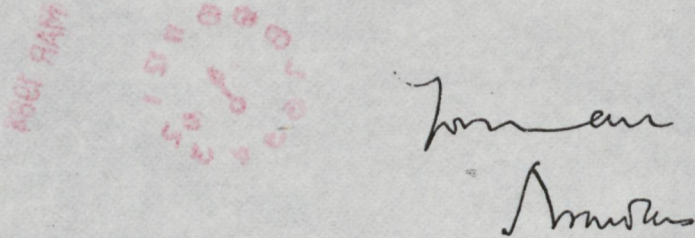
I should warn my colleagues that the hard line Bob Reid is proposing could lead to confrontation. But his tactics are designed to minimise that risk while securing both the necessary productivity improvements and a settlement that most railwaymen would regard as reasonable.

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There is no doubt that some of the union leaders would welcome confrontation with us; and there is a risk of them trying to line up with the miners. So I would support Bob Reid's tactic of going direct to his employees to try and win them over. I told Bob Reid that he could count on our backing for the tough "no productivity; no pay deal" line he is taking. I have made it clear to him that we shall be looking for a low settlement. He has given me a firm assurance that this is his aim - indeed, it is essential to his achievement of our 1986 grant target, to which he is committed. He wants to settle for a figure as far below 5% as he can manage.

I am sending copies of this letter to the Prime Minister, to Members of E(PSP), and to Sir Robert Armstrong.


NICHOLAS RIDLEY

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file



cc: Mr. Pascall

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10 DOWNING STREET

From the Private Secretary

14 March 1984

BR PAY IN 1984

The Prime Minister has seen your Secretary of State's letter to the Chancellor of the Exchequer of 7 March. She has commented that negotiations on BR pay in 1984 need to be considered in relation to the dispute in the coal industry. The Government would not want to see the railways halted by industrial action while some pits were still working.

I am sending copies of this letter to John Kerr (HM Treasury), Michael Reidy (Department of Energy), Richard Hatfield (Cabinet Office) and Peter Gregson (Cabinet Office).

Andrew Turnbull

Miss Dinah Nichols,
Department of Transport.

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SPH