

See NO



NBP 27

AT 16/4

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

Rt Hon Nicholas Ridley MP
Secretary of State for Transport
2 Marsham Street
London SW1P 3EB

16 April 1984

John Nick

BR PAY NEGOTIATIONS

with AT?

You wrote to me on 13 April about the latest developments in the BR pay negotiations.

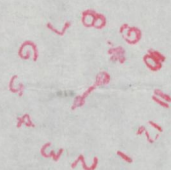
I agree that it would be right to give Bob Reid flexibility to go above his present 4 per cent ceiling. If it were simply a matter of BR pay, and if we were certain a settlement could be achieved, I would not have ruled out the offer you describe (including firm commitments on all the productivity improvements). But it is clear that it could not guarantee a settlement, and even if it could, we might face damaging repercussions on pay negotiations elsewhere in the public sector, particularly at a time when the gas manuals are balloting on 4.6 per cent on basic rates (4.3 per cent on earnings).

But we clearly do not want to precipitate a breakdown in these negotiations at a time when coal is still moving to the power stations. I conclude that it would certainly be right to raise the negotiating ceiling to 4.3 per cent on average earnings - the level offered to the gas manuals - and in all the circumstances there may be a case for going a little higher. However, I am sure we must draw the line at 4.5 per cent on basic rates and average earnings, and I should only be willing to go that far if Peter Walker were content that we can ring fence the offer in such a way that we do not undermine the position he is trying to hold in the energy industries.

Copies of this letter go to those who received yours.

th Eric
Nigel
NIGEL LAWSON

Transport BR P+8



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MR TURNBULL

Prime Minister ^①

Agree?

AT 13/4

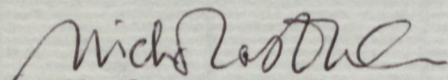
Yes m/s

British Rail Pay

Nicholas Ridley is seeking rapid endorsement of the negotiating line which British Rail propose to take.

In the present circumstances, there would obviously be advantage in a quick settlement. However, it must be doubtful whether this could be achieved at less than 5 per cent on earnings; and a quick settlement would certainly forego the productivity agreements which Bob Reid has insisted on linking to the negotiation. British Rail badly need the productivity improvements, associated mainly with driver-only operation, in order to meet their quite demanding financial targets. BR abandoned their productivity conditions last year, in the interests of a quick settlement but have failed to make progress that on productivity since then. It is important, therefore, that Bob Reid continues to insist upon the productivity conditions. The right tactic for BR is to play the negotiations long, relying on the TSSA and ASLEF to put pressure on the NUR to negotiate. There is sufficient in the package to prevent an immediate dispute; and if BR succeed with it, they would have done very well.

We recommend that the Prime Minister endorses the line which is proposed.


N. Owen

13 April, 1984

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10 DOWNING STREET

From the Private Secretary

16 April 1984

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bc Nick
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bc Press Office
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cc TF 7/6

Dear Henry,

BR Pay Negotiations

The Prime Minister has seen your Secretary of State's letter to the Chancellor of 13 April. She agrees that BR should increase its pay offer in order to keep the negotiations in play. She accepts that the offer can be increased along the lines suggested so long as the productivity conditions are insisted upon. She would be concerned if the offer were improved beyond this point as it would put the offer made to the miners in a poor light.

I am sending copies of this letter to the Private Secretaries to members of E(PSP) and to Richard Hatfield (Cabinet Office).

Yours sincerely
Andrew Turnbull

Andrew Turnbull

Henry Derwent Esq
Department of Transport.

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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

13 April 1984

Dear Chancellor

BR PAY NEGOTIATIONS

I wrote to you on 7 March about the way in which Bob Reid wished to conduct his pay negotiations with the Railway Unions. All 3 unions rejected his initial offer, and meantime, in line with the advice we gave him, he has succeeded in playing the pay issue long. But the unions are now pressing for an early meeting to resume negotiations. To avoid giving the militants an opportunity to claim that the negotiations have broken down and that the railwaymen should, therefore, make common cause with the miners, or open up a separate dispute on their own front, Bob Reid judges that he needs to improve his offer while still insisting on the productivity conditions. His proposals are as follows.

He would offer an improvement on the original offer (which was 4% on paybill and on average earnings) containing 3 elements;

(a) an extra day's leave to be taken at the least costly time of year for the Board - this would add 0.1% to paybill;

(b) an increase on the lowest rates of pay of 4% plus £1 in cash per week. This would bring the men on lowest rates of pay up from £72.20 per week to £76.10. This would be equivalent to a rise of 5.4% on basic rates. The total effect on paybill would be 0.2%

(c) in return for a commitment to co-operation in other productivity improvements to which the Board are committed (eg abolition of the Divisional tier of administration), the men would receive a non-enhanceable cash supplement equal to 1% on existing basic rates of pay. This would add 0.6% to the paybill.

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The combined effect of this package would be to increase average earnings by 4.8%, including the cash bonus for co-operation but excluding the additional day's leave. The improved offer would remain firmly conditional on union acceptance of the 3 specific productivity improvements Bob Reid has already laid down.

The Board judge that TSSA would be likely to accept the offer. ASLEF might want to accept it but would not break ranks with the NUR. The NUR are hamstrung by the resolution they passed last summer ruling out further talks on productivity. So, as I explained in my previous letter, Bob Reid's tactic is to isolate the NUR, with pressure to accept the offer being brought on the union's leaders by the workforce and, behind the scenes, ASLEF.

TSSA are anxious to arrange a meeting with the Board by 26 April. They will try to persuade the other unions to find a date before then. Conceivably, the meeting could take place towards the end of next week.

Bob Reid has succeeded so far in preventing the pay negotiations becoming entangled with the miners' strike. I believe he is right in judging that it will not be possible to maintain that separation unless he makes a further offer. The proposals he has in mind could be met within the EFL and the PSO limit.

Looking at the proposals in the context of the present state of the coal industry dispute, I think that we should give Bob Reid our support but I would propose to tell him that he should not go beyond this offer under any circumstances. He needs to have a reaction from me early next week and on Monday if possible.

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

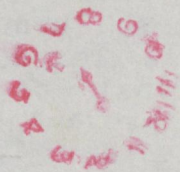
NICHOLAS RIDLEY

pp HCSDPment
Private Secretary
(Approved by the Secretary
of State but sent in
his absence).

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DEPARTMENT OF ENERGY
THAMES HOUSE SOUTH
MILLBANK
LONDON SW1P 4QJ

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The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON SW1

17 April 1984

Dear Nigel

BR PAY NEGOTIATIONS

I have seen Nicholas Ridley's letter of 13 April to you, and discussed its substance with Peter Walker whose views are reflected in this letter. Your letter of 16 April also refers.

It seems to us that the overriding consideration must be the avoidance of a rail strike at this time. Peter Walker's view, therefore, is that British Rail should be authorised to go as far as 4.5% on basic rates and perhaps even a little higher so long as Nicholas Ridley is satisfied that such an offer would be likely to lead to a settlement. He believes that, with careful presentation, a settlement at a little above 4.5% on basic rates and average earnings would not undermine the position we are seeking to hold in the energy sector.

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

*Yours
Giles*

GILES SHAW

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Minister of State

Department of Employment

Caxton House Tothill Street London SW1H 9NF

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Switchboard 01-213 3000

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The Rt Hon Nicholas Ridley MP
Secretary of State
Department of Transport
2 Marsham Street
LONDON SW1

17 April 1984

Dear Secretary of State,

BR PAY NEGOTIATIONS

I agree your judgement that we should support Bob Reid's proposals for his negotiations with the railway unions, which you describe in your letter to the Chancellor of 13 April.

It seems to me to be critical at this juncture to avoid the risk of militants being strengthened in their attempts to block the movement of coal by rail and to make wider, common cause with the miners.

I am copying this letter to the Prime Minister, to members of E(PSP) and to Sir Robert Armstrong.

Brian McCarthy

pp JOHN SELWYN GUMMER

(Approved by the Minister of State
- signed in his absence)

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BR Pay

17 APR 1984

