Chartsttc Questions to keep?
Kay
15/6

to note

NR(?)

10 DOWNING STREET

Prime Minister (2)

You might like to be aware of this exchange of correspondence before Questions. It refers to the so-called "Ridley Plan"

AT 13/6

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

John Prescott Esq MP
House of Commons
London
SW1

June 1984

Thank you for your letter of 7 June.

You asked what my position would be with regard to wage negotiations in the industries for which I have responsibility. My position is as it always has been. The negotiations are and will remain the responsibility of the management of the industries. I shall, however, continue to ask to be kept informed of the progress of negotiations and shall, in turn, keep my Ministerial colleagues informed. The Government needs to know - and if necessary to comment on - the implications of the wage negotiations for the finances of the industries, for the taxpayer and for the public interest. This Government holds the industries on a very much lighter rein than its predecessor did, in this respect! We do not control pay by statute!

As you will know from the Answer (copy attached) I gave in reply to the Questions from Harry Cowans and Gordor Bagier on 9 April, this was precisely the course followed in the recent British Rail negotiations. The Board kept me informed of their proposals. It so happened in this case that these were consistent not only with the Board's own Budget but also with the External Finance Limit and PSO cash limit set by the Government. Having satisfied ourselves on these points, we were pleased that the unions and the Board were able to reach agreement on a settlement, at an overall increase in the wage bill of 4.98%. There was no need to intervene and we did not do so.

Nor did we "control the length" of the negotiations (your words). I think you will find that the pace of the negotiations was determined entirely by the Board and the Unions, if you consult with them. You also mention an alleged Conservative Party discussion document, which was leaked in 1978, while we was still in opposition. It is already known that I played some part in its preparation, although I was a backbencher at the time. That answers the only question you ask me; and I have no other comment to make on it.

Finally, I am sorry that I was not present when you raised these matters under Standing Order No.10. Although I was aware that they were going to be raised, I was not aware that you were the person concerned. I always try to be present when you raise matters concerning this Department and I will try harder in future with due notice.

NICHOLAS RIDLEY

HOUSE OF COMMONS

Mr Harry Cowans (Lab - Tynebridge):

To ask the Secretary of State for Transport, if he has discussed wage levels in the railway industry with the Chairman of British Rail.

Mr Gordan A T Bagier (Lab - Sunderland South):

To ask the Secretary of State for Transport, if he has discussed wage levels in the railway industry with the Chairman of British Rail.

MR NICHOLAS RIDLEY

Wage levels in British Rail are for negotiation between the British Railways Board and the unions. The Chairman of British Rail naturally keeps me informed.

UNDER SECRETARY
To note reply and check against Hansard record.

PARLIAMENTARY
- 9 APR 1984

Monday 9 April 1984
Department of Transport

1542
1595/83/84
(24)

(7)

John Prescott, MP

HOUSE OF COMMONS
LONDON SWIA OAA

Secretary of State - to see Mr. Palmer for urgent advice please
c. PS/Mrs. Chalker
PS/Mr. Mitchell
PS/Mr. Lazarus
Mr. Knighton
Mr. Osmotherly.
Mr. Devereau.

7th June, 1984

Dear Secretary of State,

You will be aware that I moved a Standing Order no. 10 yesterday, in order to secure a debate on the Government's role in the British Rail wage negotiations. I believe your office was informed, and I was somewhat surprised that you were not represented on the Government benches to hear the case.

Since I accused you of misleading the House, I think it only right and proper to refer you to my statement, which I enclose.

It is clear from the correspondence published in the Daily Mirror, that the Prime Minister, the Chancellor of the Exchequer, the Minister of State for Employment and yourself have been directly involved in controlling the length and outcome of the British Rail negotiations. This has always been the belief of myself and the trade unions in the rail industry and I now ask you to give me a statement in response to the question I have posed, and the future position of the Department with regard to wage negotiations in all the public industries for which you have direct responsibility.

Could I also ask you to confirm that you were the author of the "Ridley Plan" embodied in a Conservative Party Policy Group statement on the nationalised industries published in 1978? I enclose a copy of The Economist report of this document.

It is quite clear that this report was recommending how a Conservative Government should handle nationalised industries and their trade unions. Amongst its many proposals was the recommendation to end statutory monopolies in the public sector, and the privatisation of shipbuilding, docks, airports, buses, motor car manufacturing, telephones and the mines.

...cont'd

We are informed that the Report included an annexe which discussed the political threat that the next Tory government might face in the implementation of these proposals. It predicted that there would be a major challenge from the trade unions either over wages or redundancies. The most likely challenge was thought likely to be from the coal industry. The Plan's recommendations to a future Thatcher government included:

(a) building up maximum coal stocks;
(b) increasing imports of coal and oil;
(c) recruiting non-union lorry drivers;
(d) reducing strike benefits forcing the unions to finance completely;
(e) there should be a large, mobile squad of police prepared to uphold the law against violent picketting. Non-union drivers should be recruited to cross picket lines with police protection.

Finally, the "Ridley Plan" was concerned to avoid simultaneous industrial action in other public sector industries.

I am sure that you will recognise that whether this is the "Ridley Plan" or not, it is precisely the policy being pursued by this Government, and confirmed in the recent disclosures of correspondence involving yourself and other ministers.

I would be grateful for your observations on the "Ridley Plan", my standing order number 10 statement and your future policy concerning wage negotiations in the public sector transport industries.

Sincerely
John Prescott

John Prescott

Rt Hon Nicholas Ridley,MP
Secretary of State
Department of Transport
2 Marsham Street
LONDON SW1P 3EB

British Rail (Wage Negotiations)

3.50 pm

Mr. John Prescott (Kingston upon Hull, East): I beg to ask leave to move the Adjournment of the House, under Standing Order No. 10, for the purpose of discussing a specific and important matter that should have urgent consideration, namely,

"the Government's role in the recent British Rail wage negotiations."

The matter is specific because of the publication in today's *Daily Mirror* of correspondence which we can assume is authentic, in view of the statement today that the Prime Minister has announced an inquiry into the leak of such correspondence. That correspondence clearly involves the Prime Minister, the Secretary of State for Transport and other Ministers in direct Government intervention in British Rail wage negotiations.

The issue is important because the House was informed in a parliamentary reply by the Secretary of State for Transport to my hon. Friends the Members for Tyne Bridge (Mr. Cowans) and for Sunderland, South (Mr. Bagier), inquiring into his involvement in such discussions:

"Wage levels in British Rail are for negotiation between the British Railways Board and the unions. The chairman of British Rail naturally keeps me informed."—[*Official Report*, 9 April 1984; Vol. 58 c. 27.]

Today's published correspondence, dated from 2 April, makes it clear that the Secretary of State and his Department, together with other Ministers, were, both before and after the parliamentary reply, involved in delaying the settlement of the wage negotiations and increasing the final offer. The Secretary of State misled the House about his involvement and the House should be given an opportunity to debate the issue and pass judgment upon his actions.

The issue is of great urgency in view of the clearly exposed Government strategy to instruct settlements in the rail industry and other public sector industries in order to prevent further industrial disputes while they continue their vendetta against the miners and their families, despite repeated denials by the Prime Minister that she does not want to see any further role for Government intervention.

This House has a right to pass judgment upon the Government's pretence of no intervention in public sector wage negotiations, while directing nationalised industry chairmen to carry out the Government's vindictive and arbitrary public sector wage policy.

Mr. Speaker: The hon. Gentleman asked leave to move the Adjournment of the House for the purpose of discussing a specific and important matter that he believes should have urgent consideration, namely,

"The Government's role in the recent British Rail wage negotiations."

I listened with great care to what the hon. Gentleman said, but I regret that I do not consider the matter that he has raised as appropriate for discussion under Standing Order No. 10, and, therefore, I cannot submit his application to the House.

The hon. Gentleman will know that there are other ways to raise these matters.

BRITAIN

Appomattox or civil war?

A copy of the final report of the Conservative party's policy group on the nationalised industries has reached *The Economist*. It has been drafted by the radical right-wing MP, Nicholas Ridley, and is likely to cause a humdinger of a row. Its main points:

(1) The Conservatives intend to demand that each nationalised industry achieve a set rate of return on (variously defined) "capital employed". This rate of return, once laid down, would be "totally inflexible". If managers did not achieve it they would be replaced. They would, however, be supported in whatever action they had to take to achieve it even if this "might mean that men would be laid off, or uneconomic plants would be closed down, or whole businesses sold off or liquidated". The report sees no other way to restore financial responsibility. "Nevertheless", it adds, "there is no point in undertaking it if we are not prepared to go through with it."

(2) After issuing this call to battle, the document then prepares the way for what could be constant surrenders at Appomattox. Uneconomic activities would be costed and separately paid for by subsidy on the vote of the minister who felt they had to continue.

(3) Investment control by government would continue through five-year rolling corporate plans with a government commitment to a decreasing proportion of the investment, as follows: year one, 100%; year two, 90%; year three, 75%; and year four, 50%. The industries should be required to borrow from the exchequer at market rates of interest. Investment control should be used to restrict industries to their mainline activity. The report believes the corporations should not compete with private industry, but also that it is not worth fighting a major political battle to oblige them to divest themselves of current "extra-mural activities" (eg, electricity and gas showrooms).

(4) No direct government control of prices or wages in nationalised industries. The only control would be by insisting on the rate of return on capital being met, even if this involved the industry concerned raising prices, or selling off surplus land or assets or closing uneconomic activities. The concept of wage comparability is rejected: the criteria for wage payments should be the manpower situation in the industry and the vulnerability of the nation to a strike.

(5) In choosing which strikes not to fight, the team has classified industries into three categories of vulnerability with: (a) sewerage, water, electricity, gas and the health service in the most vulnerable group; (b) railways, docks, coal and dustmen in an intermediate group; and (c) other public transport, education, ports and telephones, air transport and steel in the least vulnerable group. It rejects the proposal to make strikes illegal in industries where they are not illegal already, and also any idea of having a strike-breaking corps of volunteers to run mines, trains or power stations. Where industries "have the nation by the jugular vein the only feasible option is to pay up".

(6) Managers should be much better paid than at present, and ministers should no longer usurp the day-to-day responsibilities of management by replying to parliamentary questions on such matters.

(7) The present boards of nationalised industries would be made supervisory boards with most members part-time. The full-time management should be devolved into smaller subsidiary companies into which the industries should be split. The holding boards would have power to hire and fire management and to fix pay. There could be worker directors on nationalised industry boards, provided these were an insignificant minority. Pay of successful top managers would be supplemented by public honours.

(8) The only legislation that the Ridley report proposes (and itself refers to as "a nasty little bill") would be to end statutory monopolies in the public sector. This bill would: (a) transfer licensing of private coal mines from the National Coal Board to the minister and restrict conditions of licence to safety considerations only. Coal royalties would be transferred from the NCB to the state; (b) give private generators of electricity the right to sell to the grid; (c) split letter-post from telecommunications and end the telephone monopoly at the subscribers' "front door"; (d) remove ministers' power to stop private-sector investment in steel plant.

(9) The group considered the scope for denationalisation. It believed that it would be easier, and more permanent, to fragment the industries rather than try to sell off whole corporations. It concluded there was least opportunity for this in the "true utilities" (gas, electricity, railways, water, ports and telephones). The greatest opportunities are in coal, shipbuilding, docks, airports, motor car manufacturing, buses and freight. Specific proposals: (a) form worker co-operatives at coal pits wherever possible; (b) separate ports, and either sell them off or make them into worker co-ops; (c) make each airport independent and either sell it or hand it over to local authorities; (d)

Lib-Lab part

So will end, in July, 14 months of good, because largely undoctrinaire, rule. Mr David Steel junked the Liberal pact with Labour on Thursday afternoon—terminating an arrangement from which the Liberals could have expected more, but from which Mr Callaghan's government gained a lot in the country if rather uneven benefit in parliament.

No Liberal wants an election yet, thus Mr Steel's obvious reluctance to go to war straightaway in the commons. With so much pressure on the prime minister to call a general election by the autumn, however, Mr Steel had to distance his battered party from the government in good time. Recent opinion polls give his Liberals a sad 7%, compared with the 18.3% of the popular vote they won in October, 1974: this might strip away half or more of the 13 existing Liberal seats.

the assets of the British National Oil Corporation should be sold, preferably to the public at a 50% discount on value with a maximum holding prescribed for any individual.

So far this report has not been to the shadow cabinet. But it has been discussed by the powerful economic reconstruction group under Sir Geoffrey Howe and is now before a group under Sir Keith Joseph, the Tory industry spokesman and general policy overlord. Its general thinking seems to be accepted, but its detailed proposals are likely to be modified. They will be reflected in the Tory manifesto only in the most general terms.

In an annexe to this report, Mr Ridley and some of his co-authors have been pondering how to counter any "political threat" from those they regard as "the enemies of the next Tory government". They believe that in the first or second year after the Tories' election, there might be a major challenge from a trade union either over a wage claim or over redundancies. They fear it may occur in a "vulnerable industry" such as coal, electricity or the docks and have the support of "the full force of communist disrupters". Behind the scenes, they would like a five-part strategy for countering this threat:

- Return on capital figures should be rigged so that an above-average wage claim can be paid to the "vulnerable" industries.
- The eventual battle should be on ground chosen by the Tories, in a field they think could be won (railways, British Leyland, the civil service or steel).
- Every precaution should be taken against a challenge in electricity or gas. Anyway, redundancies in those industries are unlikely to be required. The group believes that the most likely battleground will be the coal industry. They would like a Thatcher government to: (a) build up maximum coal stocks, particularly at the power stations; (b) make contingency plans for the import of coal; (c) encourage the recruitment of non-union lorry drivers by haulage companies to help move coal where necessary; (d) introduce dual coal/oil firing in all power stations as quickly as possible.
- The group believes that the greatest deterrent to any strike would be "to cut off the money supply to the strikers, and make the union finance them". But strikers in nationalised industries should not be treated differently from strikers in other industries.
- There should be a large, mobile squad of police equipped and prepared to uphold the law against violent picketing. "Good non-union drivers" should be recruited to cross picket lines with police protection.

Callaghan had the church elders eating out of his hand

Devolution

Only one more hurdle for Scotland

The Scottish National party's annual conference began in Edinburgh on Thursday with the party's electoral prospects looking bleaker than at any time over the past five years. Chastened by its failure to win last month's parliamentary by-election at Glasgow Garscadden and its indifferent showing in the Scottish local elections on May 2nd, next Wednesday's by-election result at Hamilton was awaited by the SNP with foreboding rather than anticipation.

There was little confidence that Mrs Margo McDonald would repeat Mrs Winnie Ewing's victory in the last Hamilton by-election in November, 1967. Her success then in capturing the seat from Labour first put the SNP into the big time. Now the party dreads a fearful symmetry: that Hamilton will now mark the end of the SNP's period as a major electoral force.

These fears were increased by Mr James Callaghan's visit to the general assembly of the Church of Scotland on Monday, which was well received and commanded peak viewing on Scottish television. The hand of Mr Willie Ross, Labour's former Scottish secretary and now Lord High Commissioner of the church, was detected behind the invitation to the prime minister, but there was nothing that the Nationalists could do but grin and bear it.

Yet if the SNP is less than buoyant about its own future, it can certainly congratulate itself on having transformed the shape of Scottish politics. A Scottish assembly in Edinburgh seemed just about as likely as the restoration of the Austro-Hungarian empire before the first Hamilton by-election; now it must be rated a strong probability.

One by one the barriers to its realisation have crumbled over recent months. The only serious one remaining is the projected referendum, but a long series of opinion polls have now shown a decisive majority in favour of Scottish devolution, the latest being a System Three poll carried out last week for the BBC, which showed 64% intending to vote yes and 35% no, with only 1% undecided. This exceptionally low figure for don't knows argues strongly in favour of a high turnout in the referendum, which should reassure pro-devolutionists worried lest the 40% hurdle written into the Scotland Bill against the government's wishes should not be met. On the System Three figures it would need a turnout of only 63% for the 40% hurdle to be cleared—not a very stiff hurdle (see page 24 for the latest poll on Welsh devolution).

Fears that the house of lords would hold up the bill, or emasculate its major provisions, were dispelled when the lords' committee stage ended on May 17th. Although the government had suffered 13 defeats—and may face some more in the report stage, which begins in early June—nearly all of these concerned fringe provisions. The only fundamental