

CONFIDENTIAL

PRIME MINISTER

29 June 1988

REDUCTION IN FUNDING TO
BR AND NFC PENSION SCHEMES

Now is not the time to upset the applecart!

Although the Exchequer is paying £30m-£40m a year more than is needed into certain NFC and BR pension funds, the savings gained by making the necessary changes via legislation would be far outweighed by potential losses from industrial action, not to mention the loss of goodwill.

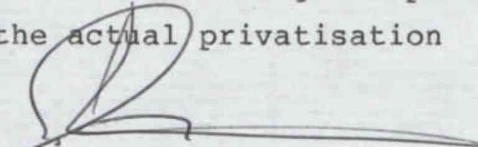
Paul Channon in his paper says "We would almost certainly be accused of breaking our word;". That accusation would be used by the anti-privatisation lobby and interpreted as:

"The Government is only looking at returns to the Exchequer. It does not care about what happens to the people after privatisation".

Rail privatisation, which will eventually be promoted by D/Tp, is far too great a prize to lose at the first hurdle. The proposed actions would build that hurdle.

Recommendations

1. Do nothing at present.
2. If NFC seek assurances from the Government for continued contributions post their proposed flotation, negotiate at that time. Let them make the first move.
3. Leave the BR pension funds well alone. If privatisation of BR eventually becomes a stated objective, there will be plenty of time to consider restructuring the pension schemes in the lead up to the actual privatisation Bills.


GREG BOURNE

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