

PRIME MINISTER

BRITISH RAIL

Pam Smith
 would you like me to write
 as in para 2.2?
 ii) set up a meeting - I
 would suggest ECEA - to
 discuss the Post Office position?
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1. PRESENT SITUATION

1.1 Norman Fowler's minute to you appears to present a very soft line in hawkish terms. Parker appears to have opened the bidding with a 17.7% offer. We understand from Cabinet Office that the original allowance was for a 15% increase without productivity - not very tight compared with British Steel or British Leyland. Next in line will be the Post Office. Fowler says that if Parker's proposed management changes are successful, there will be a reduction in the (much over-manned) labour force of 11,000 jobs over the next 3 years - we calculate this as about 1½% of the work force per annum.

1.2 The one agreed fare increase of 19-20% was the basis for the original cash limit. Fowler says that he thinks it would be very difficult to justify further commuter increases, but is apparently now prepared to consider increases in freight and Inter-City charges.

1.3 We asked Cabinet Office on 12 March whether any collective thinking was going on in anticipation of the British Rail negotiations, but nothing was happening outside Transport. We now have what looks close to a fait accompli, on British Steel lines, but with a much higher opening offer.

2. SUGGESTED ACTION

2.1 It seems important to cry halt before Parker rejigs the package to give the rail unions whatever they want in order that he and they should have a peaceful life.

2.2 You might therefore like to consider asking Fowler:

We have no power of specific direction:
 (a) To [instruct] Parker to "stick" at 13% (apparently the offer is in two parts, 13% now and 4% at some stage in the future) without strings and no further increases without productivity.
Mr Fowler would at most "suggest".

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(b) To report to you on the impact and "winnability" of a strike, together with any information he or British Rail have on the mood amongst rail workers, especially just after the result of the steel strike.

(c) To tell him that there should be no further fare rises in any area of British Rail's operation this year.

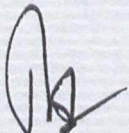
(d) To justify a reduction of 11,000 jobs in a work force of nearly a quarter of a million, over 3 years and relate it to natural wastage. Is this a gross reduction over and above natural wastage or a net reduction (which probably means an increase)?

(e) To report to you on the staff shortage situation. Apparently Weighell has been saying that there is a staff shortage of 12,000 (how distributed geographically and by grade?) and that this shows that pay scales are too low. Is there a staff shortage against what is really needed to operate the railways, or simply against an over-manned staffing level?

3. LESSONS FOR THE FUTURE

3.1 The similarity of this situation to British Steel, as a fait accompli with virtually no warning to you or other colleagues, and no preliminary thinking by officials, shows the danger of the arm's length relationship with nationalised industries. On 20 September 1979, E Committee decided "that the nationalised industry chairmen should be asked to ensure that sponsoring Departments were consulted before commitments were entered into in any major pay negotiations". The missing link is that no consultations are required between the Ministers concerned and their Cabinet colleagues. We have to get the rules right for the next pay round and that means close involvement in preparing negotiating positions with nationalised industry chairmen and contingency thinking about when and where we should be prepared to face strikes.

3.2 In the present round, the Post Office is next in line and we should have an early meeting of the appropriate people on that so that it, too, does not bolt before we can close the door.



JOHN HOSKYNs

Again, no powers.
Mr Forster could
"indicate concern
at the prospect
of ---"
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