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RAILWAYS PAY

PRIME MINISTER

As I forecast in my note of 27 March, events surrounding this year's rail pay negotiations are moving very slowly. The latest position is that the Board is refusing to improve on its 7% offer. The unions, seeking a minimum of 12.5%, have announced that they will be making a unilateral approach to the Railway Staff National Tribunal for arbitration on their 1981 pay claim. I understand that with the unions' conference season about to start, it could take some 3 weeks for them to prepare their case. Hence the Rail Board believes that a likely date for the hearing could be during the period 10 June (after the ASLEF conference) and 27 June (when the NUR conference begins). In these circumstances, Lord McCarthy might be expected to announce his findings in early July.

Any award stemming from a unilaterally sought arbitration would not be binding. But either side might find it difficult simply to ignore the result. Since McCarthy has in the past tended to adopt a "down the middle" approach, BR have felt it essential not to budge from their present offer. The Board's Financial Director will be giving evidence at the Tribunal and will emphasise that BR's financial position precludes a pay increase above 7%. Meanwhile, British Rail is urging its unions to continue discussions on the proposals for improvements to working practices leading to greater productivity.

CONFIDENTIAL

The Rail Board feels that the current low key approach by its unions in no way indicates any softening in attitudes. It suspects that they are content to await the outcome of other public sector pay negotiations, and for the Government to show its hand on investment decisions, before making any further moves. And, doubtless, union leaders view the forthcoming conferences as an ideal opportunity to test their members' strength of feeling for industrial action.

Thus, I think we must recognise that while the pace may have slowed, the signs still point to both the BRB and the Government facing some difficult decisions. I am continuing to keep in very close touch with the Board to ensure that we have as much warning as possible of any developments. Copies of this minute go to the Chancellor of the Exchequer, the Home Secretary, the Secretary of State for Employment and to Sir Robert Armstrong.

NORMAN FOWLER

8 May 1981