

✓ Mr Hopkins



*Nationalised
Industries*

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Prison

PRIME MINISTER

BRITISH RAIL PAY NEGOTIATIONS

I have seen Norman Fowler's minute of 2nd April about rail pay negotiations. In the light of the recent steel settlement, I hope the British Railways Board can settle at considerably less than the 20 per cent demanded by the unions and so avert the need for any price increases at all.

2. However, if the outcome is higher than British Rail can finance on present plans, there can be no question of additional subsidies. I am glad to see that Sir Peter Parker has confirmed that the Board are committed to staying within their 1980-81 external financing limit. I am less happy with the assumption if the cost of the pay settlement is greater than can be accommodated within that constraint, it will automatically be financed through fare increases. The Board's aim ought surely to be a basic increase which they can afford in their present financial circumstances, with any additional increase being financed by improvements in productivity. I would not like the Board to believe that we would view with equanimity a second round of fare increases, however weighted, simply to meet the cost of an excessive pay settlement.

3. I am sending a copy of this to Norman Fowler and Jim Prior.

A handwritten signature in dark ink, appearing to be 'G.H.' with a stylized flourish.

(G.H.)

8 April, 1980