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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

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PRIME MINISTER

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RAIL PAY

I have seen Norman Fowler's further minute of 24 April about rail pay. Since then I understand there have been further negotiations, following the NUR's rejection of the original deal, leading to a final settlement providing for a single stage increase of 20 per cent with still more limited commitments to productivity improvements.

2. A settlement of this size and the weakening of the link with productivity is unwelcome, particularly in the light of the steel dispute, and I must reiterate my view that it would be highly undesirable for the cost of the settlement to be passed on in higher fares if the productivity element is not forthcoming. In this respect I welcome the assurance in the last paragraph of Norman's minute that the Chairman realises he must look first to cost reductions. I am sure we should maintain this line. Certainly, there can be no question of the taxpayer meeting any part of the cost through additional financial assistance to British Rail.

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(G.H.)

7 May 1980