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*Original on.  
Transport: London Tube Strike*

*Transport*

PRIME MINISTER

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BRITISH RAIL AND LONDON UNDERGROUND

You may find it helpful if I set out the latest position on the London Underground strike threat and the British Rail pay scene, and the features which may make it particularly difficult to handle a situation which could develop rapidly.

Mr Livingstone and his GLC colleagues came to see me on 18 June. On pay, he said that he hoped to negotiate a tube settlement not significantly out of line with the recent 8% bus pay deal. When the unions were told, the NUR issued an Order to its 15,000 members in the Underground on 25 June to stop work indefinitely from Monday 20 July.

The Railways Staffs' National Tribunal (RSNT) under Lord McCarthy will publish on Thursday 16 July its report on the Railway Unions' claim against British Rail for a substantial pay increase. The Board's External Financing Limit incorporated a pay increase assumption of 8% and the Board have been standing firm on their 7% offer. Since the reference to the Tribunal by the Unions was unilateral, the recommendation will not be binding on the Board.

Mr Livingstone has meanwhile announced that London Transport would more than match for its Underground workers any increases for BR workers which might result from the recommendations of the Tribunal. Predictably, this led the TGWU to issue a public warning that the 8% bus settlement would have to be re-opened if Underground workers are offered more. The TGWU has threatened to strike if necessary to support any claim for a supplementary award. As to the NUR, their announcement of the underground

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strike to the media with no notification to the LTE until 24 hours later suggests that their quarrel is directly with Mr Livingstone. Mr Weighell the NUR General Secretary, has publicly accused the new GLC leader of renegeing on understandings made during the run-up to the recent GLC elections. At the NUR Conference he made no bones about the fact that in return for financial and other help to Labour GLC candidates the NUR had been promised a pay rise in line with the cost of living. My own assessment is that Mr Livingstone will want to avoid a strike on the basis of pay and will try to reach a settlement once Lord McCarthy has reported, regardless of cost.

Nonetheless, we must make contingency plans in case there is a tube strike next Monday. I attach details of these arrangements. Apart from making these contingency arrangements I believe we should keep out of this dispute. Speeches in support of a low pay settlement would have a contrary effect on Mr Livingstone.

The NUR's position on BR is much less predictable. While Mr Weighell has so far taken a much more responsible line towards BR, he suffered a major defeat at the Conference when left-wing militants succeeded in carrying, by a substantial majority, a motion of total opposition to any further rail closures, or compulsory redundancies. Mr Weighell is now obviously under very great pressure from NUR left-wing elements and the pressures for some form of industrial action are growing. The Board has a full 2-day meeting on 14 and 15 July with their Unions to get down to negotiations about new working practices. They will be pushing very hard, as we would wish. It remains to be seen how far the Unions will be prepared to go.

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Meanwhile, BR's financial position has worsened. Since their EFL was fixed, the recession has made further deep inroads. Earlier this year, the risk appeared that they might overshoot the EFL by £80m to £100m. Further measures identified by the Board had by last week cut this back to some £40m. But unfortunately the most recent trading results indicate a further loss in custom, which may carry through to an additional loss of £30m in the year. These figures, of course, are on the 8% pay assumption in the EFL.

In a tight situation, the Board have already acted to secure major economies. They have cut back for this year their rate of spend on maintenance and renewal of their equipment by some £70m. They made cuts in the London commuter services in June, and they have embarked on reductions on Inter-City services. They are reducing capacity in their workshops, with the closure of the Ashford Works. They are now going for an additional £10m sales of property. I have no doubt that we shall need further economies, in BREL, in service levels, and in realisations next year. But none of these can produce results in time to offer much further relief to present problems. The only quick acting measure (an increase in the fares) is ruled out by the market situation.

This darkening situation, of which I gave fore-warning at our discussion at E last month, will certainly make it necessary for us to increase the grant this year to the passenger business, where the losses of revenue are mainly arising. There is no point in forcing them to borrow for losses on this scale in the passenger business since there could be no prospect of the borrowing's being repaid. It is not yet wholly certain that a change will be needed in the EFL, because cuts in borrowing should offset at least in part the necessary increases in grant. But it will not be possible to hold the Board to their limit if we move away from the pay assumption. We are inevitably involved, for these financing reasons, in the decisions the Board will have to face when Lord McCarthy has reported. Every 1% on pay for BRB as a whole costs £16m.

Copies of this minute go to the Home Secretary, the Chancellor of the Exchequer, the Chancellor of the Duchy, the Secretaries of State for Industry, Employment, Environment and Trade and to Mr Ibbs and Sir Robert Armstrong.



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NORMAN FOWLER

13 July 1981