

**CONFIDENTIAL** Prime Minister

(1)

JV

Mr Howell seeks your agreement to circulating an E paper proposing new LT legislation legitimising a "reasonable" level of subsidy, i.e. at the same level in 1983-84 as in 1982-83; and an early oral statement.

PRIME MINISTER

THE GLC AND LONDON TRANSPORT

Agree to his circulating the paper, after discussion with Treasury and ~~perhaps~~ Environment?

The extremists at the GLC remain in a position to cause the Government more difficulty and political embarrassment.

Despite the Attorney General's firm opinion on the legality of the 1982 London Transport budget they are seeking every opportunity to push up fares again, allow wages and other costs to rise, stir up industrial action and cut and close services, blaming Government or the Law Lords ruling in every case. No political opportunity to damage us will be lost. My information is that the next move will come very soon and the GLC's newspaper advertisement campaign is clearly building up to April 23rd when the Douglas Jay Bill is scheduled for 2nd Reading (which it will not get).

I'm sure we were right to act swiftly in the limited area of concessionary fares in London - but not to yield to pressure for emergency legislation to "put the clock back" and allow Mr Livingstone to go back to his low fare/high rates policy.

A reasonable course would now have been to wait for future GLC plans, study them and see what changes in the law are needed and bring them forward in the Autumn.

But we are not dealing with reasonable people - we are dealing with political opponents who will put political opportunities first and transport considerations a poor second. I have therefore concluded we must now act.

with a view to a discussion

Yes

at E m say, Thursday April 22?

MLs 6/4

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By 'act' I mean set out clearly now what we intend for London's transport system, the framework in which the GLC ought to work and our intention of changing the law next session. QL have provisionally agreed a slot as a contingency measure in next session's programme for a Transport Bill covering this area.

Mr Livingstone could still even then spend the summer trying to cause further disruption. But if he does he will no longer be able to blame this Government for future uncertainty. All he will do is force us into more fundamental measures - e.g. taking London Transport from the GLC and setting up a new passenger transport authority - which would, if we came to this, be very popular in the Party and, I suspect, generally.

This may come. Meanwhile I urge that we move very fast to keep the political initiative on the lines in the attached paper which I would like to put to 'E' Committee colleagues.

I am copying this minute to Cecil Parkinson and to Sir Robert Armstrong.

JH

DAVID HOWELL

6 April 1982

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DRAFT E PAPER THE GLC AND LONDON TRANSPORT

1. The GLC failed in their attempt to persuade farepayers' to disrupt the operation of London Transport when the new fares came in on March 21. But their publicity campaign is continuing unabated, and has undoubtedly created a widespread public feeling that the Government is somehow to blame for the high fares - my Department has so far received over 3,000 letters asking us to take action.
  
2. The GLC are now deliberately building up pressure on the unions and the public - by refusing to approve details, on the grounds that it has implications for next year, of the LT capital budget; by telling LT that they must prepare a budget for next year on the assumption that they will have to "break even" without revenue support, which will involve large cuts in services and manpower, some of which will be required in the current year; and by threatening further major fare increases, possibly very soon and certainly early next year. So we remain faced with a difficult handling situation, full of political dangers which extend in my view well beyond the 'inner' London scene, although our London Parliamentary and local government supporters are obviously to the fore in pressing on me their anxieties and the need to regain the initiative.
  
3. The GLC are also, I know, encouraging the unions to press high pay claims, and are backing threatened strike action to achieve these as well as a standstill on all the service cuts proposed by the Executive. This makes an impossible situation for London Transport management. Because of the link between underground and railway workers' pay, the handling complications affect British Rail as well. Last, but certainly not least, the appointment of a successor to Sir Peter Masefield as Chairman is now imminent, and we know that the GLC are considering the appointment of a highly political figure - for example Councillor Waugh, architect of South Yorkshire's low fares policy, is on the short list.

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4. We have therefore only a very brief time in which to take a firm grasp of the situation. The two points on which in my view we must now speak out loud and clear are:-

i. we must announce a firm intention to clarify the law about subsidy, so that the public will know that reasonable subsidy will be legitimate, and the GLC will no longer be able to create mayhem - and take political credit to themselves - on the grounds that the law requires London Transport to cut back on their services so that they can operate on a break even basis; and

ii. we must refute the allegation that starvation of resources by the Government is why London Transport now has the highest fares in Europe, GLC rates are high, the London Transport system is run down and the capital's whole traffic and transport system clogging up.

5. In regaining the initiative we must state clearly what we intend to do next session on the legislative issue and what level of resources we think right for London's transport system for future years. It is tactically essential that I should be in a position to make a statement to the House on these two matters as soon as it returns after the Easter recess. If I leave it any longer we shall be straight into one or more of a number of possible difficult situations, such as trouble with the unions, appointment by the GLC of a Chairman wholly unsuitable in our eyes, insistence that LT impose deliberately provocative cuts and dire warnings about further fare increases. We could also be faced with an outright refusal by Mr Livingstone to do what I have told him is necessary - that is to prepare a proper Transport Plan this summer that reflects a sensible amount and deployment of public resources.

Clarification of the law

6. The opinion by the Attorney General was crucial in carrying matters forward as far as we have this year. But the GLC are now concentrating on the prospects for LT in 1983. Quite apart



from the fact that the legitimacy of any given level of subsidy is genuinely in question, we cannot go on issuing further legal opinions simply to counter each propaganda weapon used by the GLC. We must announce that we propose to introduce legislation early in the new session which will:

- a. clearly establish that the provision of a reasonable level of subsidy for London Transport is legitimate (i.e. in line with what has been paid in recent years);
- b. allow London Transport to prepare their budget in the expectation of receipt of that subsidy; and
- c. firmly prevent a return to extravagant subsidy policies.

7. The last element is of course the crucial one to fulfil our pledge that we shall not turn the clock back and leave ratepayers at the mercy of the GLC. I would seek in my statement to avoid giving any details of how we propose to control subsidy. Indeed, I think I should make it clear that I would be happy to discuss any suggestions that the GLC and other interested bodies may have. I want to avoid details, because it would be a mistake to give the GLC more warning than is necessary. I am sure their immediate reaction will be to think of ways of criticising our proposals, and indeed trying to find a way round.

8. Following the remit given to me on 14 January (E(82)1st meeting) a group of officials in Misc 70 is reviewing all the options urgently, and I will put detailed proposals to my colleagues when their report is available.

9. I propose at this stage to limit my statement to legislation for London. This would confine it to the immediate crisis, and would avoid stirring up the Metropolitan Counties, who seem to be lying low in the hope that matters will be left unchanged for them. When Misc 70 reports, and when we have the other reports

affecting local authority powers and structures we may need to consider whether any legislation should cover the Metropolitan Counties as well. But I see no need to say anything about areas other than London at this stage. Likewise when we have the officials' report we shall be able to spell out how a greater degree of competition and private sector involvement can be introduced.

Resources

10. The GLC are claiming that the Government intends to remove all subsidy from London Transport. We have to make it clear that this is wholly untrue. And I need to try to ensure that the Council will prepare a realistic plan this summer as a basis for my allocation of transport supplementary grant in the autumn. I can only do this if I give, now, a firm and clear indication of the level of resources for 1983/84 which should be taken as a guideline in preparing a plan for transport in London. I propose that I should say that this would be at roughly the same level as the resources being made available by the Government through TSG in the current year for both current and capital purposes. We will of course wish later in the year to reach specific decisions on resources for local transport nationally. But I am convinced that my statement must include some indication of the level of resources likely to be available if I am to remove from the GLC all excuse for attempting to alarm the public and the unions by talk of unnecessary cuts or unnecessary fare increases.

Other Measures

11. My statement should also include brief references to a number of other measures. I shall give a central place to the need to increase productivity. I must also emphasize the importance of worthwhile capital investment, particularly in cost-saving equipment rather than general revenue support. The installation of automatic ticketing on the underground in order to cut significant numbers of staff is a good example where I would like to press ahead. This seems to me a good example of the sort of investment which we should be able to finance in the private sector.

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12. I would also want to refer to a comprehensive set of measures to tackle London's traffic problems and the need for more vigorous measures by the GLC in their area as well. I intend to build on the provisions already in my Transport Bill for fixed penalties. I am already in touch with Willie Whitelaw about the best way to tackle the large scale failure to enforce existing parking restrictions.

13. I will need to make a very early statement of our intention - on or about April 19. - if I am to capture the initiative and provide a framework within which the GLC can get ahead and start to manage their responsibilities. This will not of course in any way be a concession to GLC and opposition demands for emergency legislation to undo the effects of the House of Lords' judgement. My announcement of the continuation of TSG later this week will stress that I shall lay specific requirements on local authorities when they prepare transport plans not only for London but for the Metropolitan Counties generally. I can then spell out in more detail in a letter to Mr Livingstone, immediately after my statement, what I expect of him in the case of London, and I shall give him a clear and unmistakable financial benchmark against which he should plan.

14. If in spite of my statement the GLC continue to run amok on their transport policies and with the management of London Transport, we might still have to move quickly to take over their powers. I have already said as much. But I believe that the approach I have outlined above will avoid the need for this - at least until we have had the results of all the studies currently in hand and can take a comprehensive view of the right way forward in respect of local authority responsibilities in London and the conurbations.

#### Conclusion

15. I seek colleagues agreement to make an oral statement to the House as soon as possible after the Easter recess on the lines indicated in paragraphs 6, 10, 11 and 12. I will clear its terms in correspondence.

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Red circular stamp containing the number "132" and other illegible characters.

Red rectangular stamp with the date "11 APR 1982" printed vertically.







cc. MA V&K/LSK  
*LS*

10 DOWNING STREET

From the Private Secretary

8 April 1982

Dear Anthony,

THE GLC AND LONDON TRANSPORT

The Prime Minister was grateful for your Secretary of State's minute of 6 April, to which was attached a draft paper for E Committee about the GLC and London Transport.

*B/F. 1*  
 The Prime Minister agrees to Mr. Howell circulating this paper, after discussion with Treasury and Environment Ministers. The Prime Minister has also agreed to a discussion of this paper at the meeting of E scheduled for Thursday 22 April.

I am sending copies of this letter to the Private Secretaries to Cecil Parkinson and Sir Robert Armstrong.

Yours sincerely,

Michael Scholar

Anthony Mayer, Esq.,  
 Department of Transport.

*LS*