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Transport 2

cc Mr Wolfson
Mr Hoskyns
Mr Ingham



Prime Minister

PRIME MINISTER

LONDON TRANSPORT WAGES

MW

To note

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23/4

My Private Secretary wrote to yours on 16 April to let you know that there was a serious risk of a strike on London's buses and underground over this year's pay settlement. She said that I would be talking to Sir Horace Cutler and would keep you in touch with developments.

Sir Horace made up his mind on tactics today, and spoke to me late this afternoon. He is naturally anxious to keep any pay settlement to a minimum because of the immediate effect on either subsidy or fares. But he recognises that it is not realistic to think in terms of settling at 12%.

So far as the underground is concerned - and London Transport are talking to the Rail Unions this evening - Sir Horace has concluded that he is bound to follow the general level set by the BR settlement of last week. He has therefore authorised London Transport to settle at an increase on basic pay of 15%, plus 5% for productivity, or 16% plus 4%. London Transport have been told that they must ensure that there is a firm agreement on productivity changes before this element is paid. He does not want any more vague promises.

Sir Horace has told London Transport to be much tougher on busmen's pay when they meet the Transport and General Workers Union tomorrow. Normally, the negotiations on tubemen and busmen are separated by a few weeks. This year, the Unions have secured that the negotiations should come together. London Transport have been told to try to delay a bus settlement for a

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week or two, and to keep the level below that for tubemen. Sir Horace is less concerned about a bus strike - for which there are more effective contingency plans. He thinks there will be general public support for a tough line in dealing with wages for a bus service which is generally regarded as very inadequate, and a strike would in practice tend to help rather than damage London Transport's finances. Provided there is a firm agreement on underground pay, there should be no risk that the Rail Unions will take sympathetic strike action.

I believe Sir Horace's judgements are sound, but I have, of course, avoided saying anything which he might regard as an instruction from us.

Sir Horace promised to keep me in touch with any developments, and I will of course see that you and Cabinet colleagues are kept in the picture.

I am sending copies of this to Willie Whitelaw, Geoffrey Howe, Jim Prior and to Sir Robert Armstrong.

NORMAN FOWLER

22 April 1980

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