

~~cc to Walter~~



Prime Minister

• B 2

To note. This is the kind of information we need to present the case against an excess settlement.

TU

12/6

CONFIDENTIAL

PRIME MINISTER

At Willie Whitelaw's CCU meeting this afternoon about the London Underground strike I set out the prospects for fares. Since this is not a matter on which there is any action for CCU to take he asked me to send a report direct to you on this tonight.

The enclosed table sets out the position. The important points are:-

- (1) London Transport fares go up 7½% on 17 June to pay for the original GLC estimate of a settlement at 5% for bus and underground men. This is the first increase for 12 months.
- (2) To pay for the bus settlement actually made (9.8%) and for the parallel underground settlement as offered by LTE, there is no alternative to a further fares increase of 10-15% in September/October, bringing the total fares increase since July 1978 up to around 20%. So Londoners face a big fares increase whatever happens on the strike.

CONFIDENTIAL



CONFIDENTIAL

- (3) The GLC have not yet made this fact public. I understand that Horace Cutler is intending to make a statement on this tomorrow. Angus Maude and I are seeing him tomorrow morning.
- (4) This would provide a basis for making clear that in the event of LT underground getting the 17-18% offer they want (and the busmen getting parity) the autumn fares increase would have to be as much as 20-25% bringing the total fares increase for the year up to around 30%.

Copies of this letter go to members of the CCU and Sir John Hunt.

NORMAN FOWLER

12 June 1979

CONFIDENTIAL

LT RAIL STRIKE: PAY CLAIMS AND ESTIMATED FARE INCREASES

Pay Offer/Claim	Consequential fares increase (rail and bus)	Cumulative increase from June 1978	Date of fares increase
A FARES INCREASE ALREADY IN THE PIPELINE			
(i) GLC original provision for a settlement at - 5%	7½%	7½%	17 June 1979
(ii) balance of cost of bus settlement at 9.8% actually achieved plus offer to rail unions	10-15%	17½%-22½%	Sept/October
B FURTHER POTENTIAL FARES INCREASE			
rail unions claim of 17-18%, matched by comparable additional offer for busmen	an added 10% to A (ii) above	27½%-32½%	Sept/October

additionally the direct costs of the strike, whatever the outcome, are likely to be about £2½-3M per week. This would add about 1% to the autumn fares increase for each week that the strike lasts. /If the strike lasted 10 weeks there would have to be a fares increase of 20-25% in the autumn to recover losy revenues even if the rail unions capitulated and accepted the pay offer now on the table.7

RE

FINAL STIPEND PAY CLAIMS AND ESTIMATED FARE INCREASES

B FURTHER POTENTIAL FARES INCREASE

offer for busmen
 matched by comparable additional
 rail unions claim of 15-18%

(1) balance of cost of bus settlement: 91
 91 - 2% 2%

(1) GIC original provision for a settlement 2%

A FARES INCREASE ALREADY IN THE PIPELINE

PAY OFFER CLAIM

RE

an added 10% to A (11) above

21% - 32%

17 Sept/October

(rail and bus) fares increase

Consequential from June 1978

Cumulative increase

10-12%

17-25%

17 June 1979

2%

2%

20pt/October

12 JUN 1979

1 2 3 4 5 6 7 8 9 10 11 12

RE