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**CONFIDENTIAL**

Prime Minister

Prime Minister

Content with  
draft statement?

LONDON TRANSPORT AND THE GLC

MUS 7/1

Mr Livingstone has now approached me to ask for a meeting to discuss London's public transport problems in the light of the House of Lords judgement. The meeting takes place at 09.00 tomorrow morning.

My approach at the meeting will be very much to take a listening role. I want to hear what he has to say and what exactly he wants. I will tell him that now I have heard from him I will consult my colleagues and call him in as soon as the Government is ready with firm views. I will make no commitments.

That said, we must not run the risk of losing the publicity initiative which we still hold, or being misrepresented by him when, as he surely will, he gives interviews to journalists after the meeting. Neither must we give our supporters at County Hall the impression that the Government is washing its hands of London's problems when they take part in the crucial vote on London Transport's 1982/83 budget next Tuesday, 12 January.

I therefore propose that we be ready to issue a press notice during the course of the morning tomorrow. I attach a draft. As you will see it aims to take a reasonably encouraging line for users of London Transport and more especially for our colleagues at County Hall without at the same time making any specific commitments. I will await any comments you may have on it before issuing it.

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I am copying this to the Chancellor of the Exchequer, the Lord President, the Attorney General, the Secretary of State for the Environment and Sir Robert Armstrong.

*RAJ Mayer*

p.p. DAVID HOWELL  
7 January 1982

(Approved by the Secretary of State  
and signed in his absence)

**CONFIDENTIAL**

PUBLIC TRANSPORT IN LONDON  
TRANSPORT SECRETARY SPEAKS OF CONCERN

\* The Rt Hon David Howell, Secretary of State for Transport, today expressed his concern about the difficulties which the GLC's policy of high costs and low fares have created for public transport in London and his belief that these could be cleared up in a way that was sensible and equitable to all concerned. He made it clear that the Government believed that <sup>some</sup> subsidy should continue to be provided for LT's operations and that London's old-age pensioners should continue to enjoy concessionary fares.

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Mr Howell made these points / a meeting today with Mr Ken Livingstone and Mr Dave Wetzel of the GLC when he asked them what progress they were making in getting the financial affairs of the GLC and London Transport into order following the Lords' decision on the GLC supplementary rate precept.

Following the meeting,

/ Mr Howell said that the immediate need was for a budget to be agreed for London Transport that would begin to get fares and services into better balance with the resources available. He said:

"Let me make it quite clear that the Government is committed to a reasonable and realistic level of subsidy support for public transport in London. I have already announced that I have accepted £89m for revenue support in 1982/83 - which goes directly to subsidise the operations of London Transport - plus a further £197m of capital expenditure at least half of which is on London's underground and buses. The amount of subsidy for revenue support is 14% more than was allowed last year. This is

a measure of the level of subsidy support towards fares and services which we have agreed as appropriate for London and it provides the background against which the LT budget can now be framed".

On concessionary fares, Mr Howell said:

"I welcome the urgent talks the GLC are having with the Boroughs to sort out the question of how within the terms of the legislative framework, the needs of the elderly can continue to be met. If insoluble problems are encountered I shall certainly consider sympathetically what changes are needed to solve them."

He added:

"It is an unfortunate legacy of the events of the past few months that London's travellers and ratepayers will one way or another have to meet the cost of getting London Transport's finances back into order again. Nobody deplores more than I do the sharp rise in fares with which Londoners will be faced. They are a regrettable part of the cost of putting things right. What we must ensure is that the way the financial mess is cleared up is sensible and equitable to all concerned. This will mean the GLC must urgently look at their spending policies and their resources as a whole.

"In sum, I believe the aims should now be to get the financial affairs of London Transport back on to a firm footing and for London Transport and the GLC to press forward with improvements in the efficiency of services. These are the policies which until eight months ago councils of both parties had been pursuing over the years, and they will best meet the interests of the taxpayer and the ratepayer."



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Prime Minister

To note.  
MS 8/1

Prime Minister

LONDON TRANSPORT AND THE GLC

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As I explained in my minute to you of yesterday afternoon, I saw Mr Livingstone this morning to discuss London's public transport problems in the light of the House of Lords' judgement. Mr Livingstone and Mr Wetzel, the Chairman of the Transport Committee, who were accompanied by another member of the Council, the Leader's political adviser and a number of officials, were very quiet and reasonable at the meeting. They took a much more extreme view when they saw the Press after the meeting, and I understand from reports that their main message was that the Government were not prepared to be helpful. I have therefore issued the Press Notice which I agreed with you, and I have also spoken to the Press and television to make the Government's present position clear and bring home the heavy cost of the GLC's irresponsible transport policies over recent months.

Mr Livingstone's first point to me was about concessionary fares. I said that it was certainly the Government's view that there should be a London-wide concessionary scheme. I made it clear that they must first discuss how far the London boroughs could provide such a scheme, but that I would be prepared to consider sympathetically if they ran into insuperable problems.

Mr Livingstone then asked for legislation to enable him to continue with his present policies. I took the line, as agreed, that the Government were not prepared to help with the continuation of the present low-fare high-cost policies. We were however in no doubt that they would be complying with the law if, in

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the first instance, they approved the present LT proposal for 100% fares increase in March - much as we deplored the need for this which arose directly from the actions of the new GLC - and that as demonstrated in our recent transport supplementary grant settlement, some subsidy could continue to be provided for LT's operations.

Mr Livingstone told me that in the light of the advice provided by his officials, he expected the GLC to agree that they should ask LT for a further immediate report about what further savings in costs were practicable, and on the effects of a further substantial fares increase soon after March. He said that he would want to discuss further with me, in the light of this information, around the end of January, so that a decision could be taken before the GLC determine their own Budget for 1982/83 at a meeting fixed for 16 February. I agreed that it would be sensible for us to meet again to discuss on that basis.

Mr Livingstone also discussed how they were to deal with the £125m deficit that London Transport will have built up by the end of March. GLC officials are undoubtedly advising that, in the light of the House of Lords judgement, the GLC must go as far as practicable towards reducing the total subsidy bill. We are therefore likely to be told, at the end of the month, that a further fares increase is essential in order to meet as much as possible of the deficit which they propose to cover, for the time being, by strictly temporary borrowing by London Transport. By then we shall have had the considered views of the Law Officers. We shall need to decide, after the GLC have told us how far it would be practicable to cut costs and raise fares further, whether this is a situation in which the Government should seek to intervene.

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The note by officials which you commissioned at the meeting of E Committee on 22 December (E(81)40th meeting minutes) will be circulated tonight, and I will circulate my own views about these issues in a paper for E Committee very early next week. But in the meantime I thought it would help you and other colleagues to have this brief factual report on today's meeting.

I am sending copies of this to the Chancellor of the Exchequer, the Lord President, the Attorney-General, the Secretary of State for the Environment and Sir Robert Armstrong.

DA.  
~

DAVID HOWELL  
8 January 1982

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10 DOWNING STREET

*From the Private Secretary*

8 January, 1982.

London Transport and the GLC

The Prime Minister was grateful for your Secretary of State's minute of 7 January about the meeting with Mr. Livingstone which took place this morning.

The Prime Minister was content with the draft Press Notice attached thereto, subject to the insertion of "some" before "subsidy" in line 6, and the substitute of "could" for "should" in the same line.

I am sending copies of this letter to John Kerr (HM Treasury), David Heyhoe (Lord President's Office), Jim Nursaw (Law Officers' Department), David Edmonds (Department of the Environment), and David Wright (Cabinet Office).

M. C. SCHOLAR

Anthony Mayer, Esq.,  
Department of Transport.

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