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DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

David Heyhoe Esq  
Private Secretary to  
the Rt Hon Francis Pym MC MP  
Lord President of the Council and  
Leader of the House of Commons  
Privy Council Office  
Whitehall  
LONDON  
SW1

14 January 1982

Dear David,

At this morning's 'E' Committee I understand that it was agreed that my Secretary of State should write to Mr Livingstone giving the Government's views on the way forward in the light of the House of Lords' judgement on London Transport subsidies.

He was asked to ensure that Mr Pym was happy with the terms of the references in the letter to Legislation. I attach the latest draft. One point is still being ironed out with the Attorney General's office. This does not bear on your interests.

Mr Howell has asked me to emphasise that the letter is deliberately drafted to avoid specific commitments on the timing of any legislation.

I fear time is very short if we are to be able to keep the initiative on all this. We would like the letter and an accompanying press notice to issue tonight. We would therefore be grateful for Mr Pym's comments by 16.30 this afternoon.

I am copying this to Mike Pattison and David Wright.

Yours,

Anthony Mayer

R A J MAYER  
Private Secretary

DRAFT LETTER FOR THE SECRETARY OF STATE TO SEND TO MR LIVINGSTONE

When you came to see me last Friday I undertook to consider further the points of difficulty we saw in getting London Transport's affairs back in order.

2. Since then the GLC have approved the budget that Sir Peter Masefield submitted for 1982 on the bases of certain conditions which included a requirement for the Executive to submit proposals within one month for further fare increases in 1982.
3. The approval of the LT Budget has been the first essential step of an orderly approach towards tackling within the law London Transport's problems.
4. Three points you raised with me were the size of fare increases that might have to be adopted this year, the future of travel concessions for elderly people and the treatment of the £125m deficit that LT will have incurred since last spring.
5. Having taken legal advice it is the Government's view that the budget now approved for 1982 is a legitimate one in all the circumstances. I note that the Council have requested an early report from the Executive on proposals for further fare increases this year. There is, however, in the Government's view no reason why, on the basis of the figures included within the Budget for 1982, this should not stand without further fare increases, though it must continue to be an object to minimise costs and secure value for money. I was therefore glad to note that the Council have already asked the Executive to examine further the scope for reducing costs and increasing savings of expenditure.
6. On the specific problem of meeting the £125m deficit from 1981- it is for the Council to decide how this should be treated. But if it would help the Council, the Government would be prepared to widen the options open to them by, as an exceptional and once-for-all measure, introducing legislation to enable LT to spread the repayment of this debt over a period of up to 5 years.

7. Finally, as I made clear when I saw you, the Government believe that the tangle over old people's concessionary travel should be cleared up quickly. At the time the 1969 legislation was enacted, Parliament thought it appropriate to confer on the London Boroughs only and not the GLC the powers to finance a concessionary fares scheme. I have now heard from the London Boroughs Association that they cannot see their way to taking over responsibility in 1982-83. In order to safeguard the position of elderly and disabled travellers I would therefore be willing to introduce early legislation to bring the GLC's powers to provide for such a scheme in line with those for other authorities.

8. As I said when we met, 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 traveller and the ratepayer. The Government measures which I have outlined above on concessionary fares and handling the special problems of the LT losses, should mean that the public transport that best meets the needs of London can continue to be provided.

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DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

Mike Pattison Esq  
Private Secretary to  
the Prime Minister  
10 Downing Street  
LONDON  
SW1

*MP*

Prime Minister

(2)

Ms 14/1

14 January 1982

Dear Mike,

LONDON TRANSPORT AND THE GLC

I attach a copy of the letter just issued  
by my Secretary of State to Mr Livingstone  
and a copy of the Press Notice we have also  
issued.

I am copying this to the Private Secretaries  
of the members of 'E' Committee, the Attorney  
General and Sir Robert Armstrong.

Yours,

Anthony Mayer

R A J MAYER  
Private Secretary



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

Councillor Ken Livingstone  
Leader  
Greater London Council  
County Hall  
LONDON  
SE1

14 January 1982

*Dear Mr Livingstone*

When you came to see me last Friday I undertook to consider further the points of difficulty we saw in getting London Transport's affairs back in order.

Since then the GLC have approved the budget that Sir Peter Masefield submitted for 1982 on the bases of certain conditions which included a requirement for the Executive to submit proposals within one month for further fare increases in 1982.

The approval of the LT Budget has been the first essential step of an orderly approach towards tackling within the law London Transport's problems.

Three points you raised with me were the size of fare increases that might have to be adopted this year, the future of travel concessions for elderly people and the treatment of the £125m deficit that LT will have incurred since last spring.

Having taken legal advice it is the Government's view that the budget now approved for 1982 is a legitimate one in all the circumstances. I note that the Council have requested an early report from the Executive on proposals for further fare increases this year. There is, however, in the Government's view no reason why, on the basis of the figures included within the Budget for 1982, this should not stand without further fare increases. This does not mean that it would not be right to encourage the Executive to minimise costs and secure value for money. I was therefore glad to note that the Council have already asked the Executive to examine further the scope for reducing costs and increasing savings of expenditure.

On the specific problem of meeting the estimated £125m deficit from 1981/82 the Government would be prepared to widen the options available by, as an exceptional and once-for-all measure, introducing legislation to enable LT to spread the repayment of this debt over a period of up to five years.

Finally, as I made clear when I saw you, the Government believe that the tangle over old people's concessionary travel should be cleared up quickly. At the time the 1969 legislation was enacted, Parliament thought it appropriate to confer on the London Boroughs only and not the GLC the powers to finance a concessionary fares scheme. I have now heard from the London Boroughs Association that they cannot see their way to taking over responsibility in 1982/83. In order to safeguard the position of elderly and disabled travellers I would therefore be willing to introduce legislation to bring the GLC's powers to provide for such a scheme in line with those for other authorities.

As I said when we met, 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 traveller and the ratepayer. The Government measures which I have outlined above on concessionary fares and handling the special problems of the LT losses give an opportunity to ensure that the public transport that best meets the needs of London can continue to be provided.

*Yan = Shury*

*David Howell*

DAVID HOWELL

14 January 1982

LONDON FARES: SECRETARY OF STATE FOR TRANSPORT SETS OUT GOVERNMENT'S  
POSITION

David Howell, the Secretary of State for Transport has today sent a letter to Mr Livingstone, Leader of the GLC, to clear up some of the uncertainty Mr Livingstone's remarks have created. Commenting on his letter Mr Howell said:

"I wish to emphasise three points in particular:

First, the Government's policy, like that of its predecessors, is that subsidy should continue to be paid where this is needed to keep necessary public transport going. Indeed, last year some £1.2 billion went in support to the bus and rail services of this country. My TSG settlement for local transport authorities, including the GLC, reflected this policy. It is ridiculous to indulge in wild talk of dismantling public transport. What we have said is that resources for transport like those for anything else are not infinite. Nor can ratepayers continue to be treated as they have been in recent months. Resources must be used to keep the essential services going and cater for real needs, not be dissipated in indiscriminate low fare subsidies adopted for political doctrinaire reasons. The GLC's reckless disregard of who has to foot the bill has, to say the least, shown enormous financial naivety.

Second, there is no question of London's old people losing their travel concessions. The stories that have been set afoot on this have caused unnecessary anxiety. The GLC have other powers of their own which can continue to provide a substantial slice of resources for concessionary schemes if they so choose. Moreover



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London's boroughs have powers similar to those in authorities elsewhere. Indeed they operated these for a number of years. But I am not prepared to leave people in uncertainty while the GLC make political statements, and arguments go on about working out new practical arrangements. I therefore told Mr Livingstone last week and have set out explicitly in my letter my willingness to legislate to enable the GLC to operate a scheme on the same basis as local authorities elsewhere.

Third, London's fare increases: I deplore the fact that Londoners will now have their fares doubled, but that is the painful consequence of the GLC's actions. This reflects not only the bill for the low fare scheme but also for the high cost policies deliberately followed by this GLC with demands on LT for wasteful recruitment contrary to their needs and wishes, and millions of empty bus miles. This alone has inevitably been damaging to the existing jobs of London Transport's workers. I welcome Sir Peter Masefield's assurance to his staff that it will be his object in getting back to the status quo to avoid the hardship that the GLC policies would otherwise create, and that in his view the staff adjustments can be achieved through normal wastage.

It is misleading to claim that the LT must inevitably have yet further increases in fares in a few months' time. As my letter says, this is in the Government's view quite unnecessary. I have told Mr Livingstone that I am prepared to introduce legislation to allow London Transport to spread the cost of paying off this year's deficit over a reasonable period. I am not prepared to introduce legislation enabling the GLC to go back and carry on with unbalanced policies at the expense of the ratepayer.

All these points I have spelt out to Mr Livingstone mean that London's transport system now has a firm and equitable basis for putting itself to rights.

I note that GLC leaders have announced a massive campaign to change the law to allow them total freedom to run London Transport's affairs and finances as they think fit. I therefore want to make clear to electors, travellers and the staff of London Transport, the stability of whose jobs will otherwise be threatened, that the real threat has been the reckless and ill-thought-out actions of the GLC. They have the means now to put this right. If they deliberately do otherwise and leave the affairs of LT in disarray while they fight political battles, that is their choice, not necessity. The Government would then have to consider whether the arrangements that allow them to preside over the destruction of this city's transport undertaking can continue in their present form".

The text of Mr Howell's letter is attached.