SECRET

MT

PART ONE

NEW FILE COVER

CONFIDENTIAL FILING

LONDON REGIONAL TRANSPORT

TRANSPORT

PT 1:

NOVEMBER 1993

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
27.11.96 PT 1 ENDS							

PREM 19/1990

Dd 8398366 2M 11/83 JET

PART 1 ends:-

J.B. Unwin to DN 27/11/86

PART 2 begins:-

SS/Transport to PM 11/12/86

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
H(83)42	07/11/1983
H(83) 21st meeting, item 2	09/11/1983
L(83)133	21/11/1983
L(83) 20th meeting	23/11/1983
L(83) 21st meeting, item 2	30/11/1983
CC(85) 2nd meeting, item 1	07/01/1985
CC(85) 3rd meeting, item 1	24/01/1985
E(A)(85)4	24/01/1985

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate **CAB** (CABINET OFFICE) CLASSES

Signed _____ Date 22/10/2014

PREM Records Team

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

1. House of Commons Hansard, 25 June 1984, Columns 692-733 "London Regional Transport Bill"

2. House of Commons Hansard, 29 January 1985, Columns 166-171 "London Regional Transport"

3. House of Commons Hansard, 7 February 1985, Columns 11989-1225 "London Regional Transport"

4. House of Commons Hansard, 12 February 1985 Columns 290-312 "London Regional Transport (Levy)"

5. House of Commons Hansard, 19 February 1985 Columns 870-948 "London Regional Transport (Amendment) Bill"

Signed B Wayland Date 19 February 2015

PREM Records Team

CONFIDENTIAL

P 02379

From: J B UNWIN
27 November 1986

MR NORGORVE - No 10

cc Brigadier Budd

LONDON BUSES PAY DISPUTE

I have checked on the contingency arrangements relevant to the warning in the Transport Secretary's minute to the Prime Minister of 24 November.

2. In brief, the Department of Transport are in contact with the Metropoliton police to ensure that extra policemen are available for traffic duties should the shutdown occur. There is a MACM plan to provide additional parking facilities in central London by laying down track-way in central London parks, but the Department do not envisage seeking to implement this only for a bus strike. It is not at present thought that the underground will be affected.

3. We will keep in touch with the developments.

J B UNWIN

Cabinet Office

TRANSPORT: LRT: NOV. 83





PRIME MINISTER

Prime Minister 2
for information.
25/11

LONDON BUSES PAY DISPUTE

Since I wrote to you on 7 November about the industrial action affecting London Regional Transport's bus services, the pay offer has been formally rejected by a group of engineers and there is a likelihood that full strike action may follow.

On 21 November the garage craftsmen, who form a minority of the 3,000 engineering staff, voted to reject the 5% basic pay award with productivity improvements which had been accepted by the vast majority of other LRT staff. Although the remaining staff who are members of the TGWU do not have their ballot until 27 November, LRT management have decided that the craftsmen who continue to work-to-rule are now in breach of contract and will tomorrow be sent home if they refuse to work normally. This in itself would cause mounting disruption but not an immediate shutdown of the bus system.

If the TGWU ballot on 27 November results in a rejection of the pay offer, London Buses could face a total shutdown early next week. Apart from the effect on the travelling public, such a strike would have disproportionate financial consequences for LRT since they are contractually required to continue to pay all London Buses' staff. They estimate the cost to be £3-4 million per week.

If the craftsmen have to be disciplined tomorrow, LRT will make a public statement which emphasises that the whole bus service is effectively being held to ransom by some 200 men - the number of craftsmen whose vote rejected the pay offer. They will say that the Government cannot finance the losses that strike action will cause and measures such as the sale of assets will be required to keep them solvent.

I am sure that we must back the judgement of LRT's management in their attempts to resolve this dispute successfully, in spite of the difficult consequences strike action may have for the travelling public and for the finances of LRT.

I will continue to keep you and other Cabinet colleagues in touch with developments.

I am copying this minute to all members of the Cabinet, to the Chief Whip and to Sir Robert Armstrong.

JOHN MOORE

24 November 1986

TRANSPORT: LRT Dec 83



ORIGINAL SENT
BACK TO MR UNWIN

cc BG

cc Rie

CONFIDENTIAL

P 02345

From: J B UNWIN
10 November 1986

MR NORGROVE - NO 10

Thank you. I shall find an opportunity to mention this to the Prime Minister. JBU 11/11

LONDON BUSES PAY DISPUTE

Following the Secretary of State for Transport's minute of 7 November to the Prime Minister I have had some further enquiries made today on the CCU net.

2. I understand from the Department of Transport that the settlement date of 21 November was not in fact made an absolute deadline at the meeting between London Regional Transport (LRT) and the unions representing bus engineering staff on Friday last. The unions are expected to reply to LRTs latest offer on Friday this week. Meanwhile, LRT are reported to be maintaining about 90% of normal bus services and do not see the situation deteriorating very much further unless industrial action is unexpectedly stepped up.

3. There is no CCU action to be taken. Even if all LRT buses were off the road measures to cope with any additional road traffic would be a matter to be agreed between the Department of Transport and the Metropolitan Policy. I understand there is little likelihood of the dispute attracting support from the Underground staff and therefore any effects on commuters in London are likely to be inconvenience rather than not being able to travel to and from work.

4. I will let you know if there are any significant changes in the situation.

J B UNWIN

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CCBG

Prime Minister.

This may be in the papers over the weekend.

AOS 7/11

PRIME MINISTER

LONDON BUSES PAY DISPUTE

You should know that there is a possibility of mounting industrial action affecting London Regional Transport's bus services.

LRT have had a difficult pay round this year, but have managed to negotiate satisfactory deals with most of their staff. The Underground settled at 5.2% and the bus platform staff at 5%, in each case associated with substantial productivity agreements.

No agreement has yet been possible with the bus engineering staff, who have also been offered 5% on basic pay in return for productivity improvements. Negotiations have been protracted and the engineering staff have resorted to an overtime ban which is beginning to affect bus services in London. A final offer by the management, for acceptance by 21 November, will be made at talks with the unions this afternoon. London Buses are reasonably optimistic about the outcome, but if the talks do break down there is a risk that the disruption will be escalated. In that case there may be media reports over the weekend.

I am quite clear that we must get LRT, and its subsidiary, London Buses, our full support in their efforts to improve productivity and efficiency. The bus engineers have no special claim over and above other LRT staff and must contribute to improved productivity if they are to merit the 5% pay increase on offer.

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/ I will of course keep you, and other Cabinet colleagues to whom I am copying this minute, in touch with developments.

JOHN MOORE

7 November 1986

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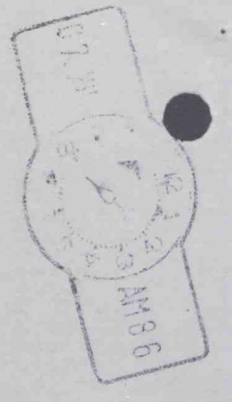


PRIME MINISTER

LONDON REGIONAL TRANSPORT : FARES

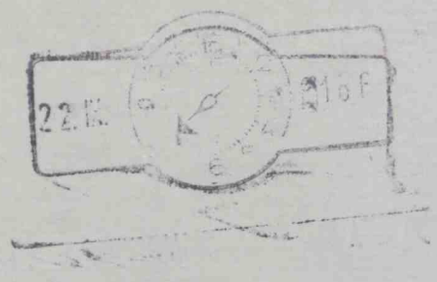
You and colleagues may like to know that the LRT Board has now decided on the fare increases that they are to introduce from next January, 12 months after the last round. The increase will be 4½% on average with variations around this. LRT propose to announce the new fares tomorrow (23 September). They need to make the announcement now because of the lead time involved in altering their ticket issuing equipment. In previous years attempts to delay the announcement have led to embarrassing and incorrect leaks.

LRT's decision may of course attract some criticism, given the current low rate of inflation. But I think that it strikes a reasonable balance between the twin objectives we have set them of keeping fares broadly in line with prices generally on the one hand, and the continuing rapid reduction of revenue subsidies on the other hand. In addition, there is evidence that some LRT fares are under-priced, in particular their long-term "travelcards", which generate extra travel by the passenger at a low marginal price and are causing overcrowding on certain parts of the system.

I am copying this to Cabinet colleagues and to Sir Robert Armstrong.

JOHN MOORE

22 September 1986



PRIME MINISTER 4 DGV 24/4, 24 April 1986

LONDON REGIONAL TRANSPORT

Three years ago, LRT was a looming problem, requiring subsidies approaching £400 million and still rising. Now a reinvigorated organisation is set on the virtuous path of providing a better quality and more appealing service to a growing number of passengers for declining unit costs. Credit for this transformation is due both to Keith Bright and his management team, and to the Government's contribution in changing the climate of attitudes and expectations.

1. Retaining the Benefits of Productivity Improvements

Like British Rail, LRT is dominantly manpower-intensive. Manpower-related expenditure accounts for 70% of LRT's total operating costs. The business strategy is clear - increase productivity and reduce manpower. The problem is how to introduce more productive and efficient practices to an entrenched unionised workforce, without either provoking damaging strikes or giving away the productivity gains in higher real wages and better terms of service.

Even under Bob Reid's Chairmanship, BR have failed to accomplish this. The appreciable reduction of BR staff, through greater productivity, has no more than offset the steady drift of real average earnings - up 14% from 1979-1984, compared with a national average of 12%. What's more, BR have

convinced themselves that this unrewarding trade-off is inescapable.

Keith Bright's great achievement is successfully to have challenged this damaging presumption, whilst avoiding serious strikes. Management have kept the productivity gains from extensive automation and wider use of one-person-operated buses and underground trains. LRT's manpower has been cut by 8% in two years and wages have been reduced in real terms.

Wisely, LRT's management have recognised the value of exposing steadily more of their operations, including individual bus services, to competitive tenders from the private sector. By this means, they have been able to show how uncompetitive a monopoly LRT has become. Then, rather than delegate wage negotiations to the Personnel Director, the Chairman has set tough targets and insisted that his two key executives, the Managing Directors of London Buses Ltd and London Underground Ltd, should negotiate in direct defence of their businesses. Throughout, emphasis has been placed on staff communication - getting across the message that an organisation which has lost touch with the market and the competition, whilst needing ever greater subsidy, faces a bleak future. When serious strikes have been threatened, management from top to bottom of the organisation have used the open channels of communication to persuade individual staff not to support strike action.

The well-tried principles of good management do work.

2. Marketing LRT's Services

Perhaps half the recent increase in the demand for LRT's buses and underground services derives from external factors, such as the tourist boom. The rest is a tribute to LRT's imaginative efforts to stimulate demand by providing a better quality and more appealing service, and selling it hard. The additional volume of business brings in revenue but adds little to costs.

Flexible pre-purchased tickets and passes (Travelcard, Capitalcard, Explorer Pass) have proved popular. They also increase productivity. The regular delivery to London households of timetables and travel information has stimulated demand. Attractive new "midibuses" are being introduced, initially in the suburbs.

3. Prospects for the 1990s

Keith Bright is confident that LRT can beat the target of getting out of revenue grant support by 1990/91. Beyond that, he sees the current capital expenditure programme, to rejuvenate the rundown parts of the underground system, bearing fruit. By the 1990s, a commercially-sound London Underground network should be ready for privatisation.

Privatised London Transport buses will find more or less opportunity in a competitive deregulated régime, depending on how well they respond to the competitive forces.

Conclusions

The success of LRT's management in turning around a large foundering enterprise is a story worth telling. It reflects credit on the Government and the new ethos of Thatcherism.

Keith Bright is a first class Chief Executive. How about considering him as a future Chairman for BR?

JOHN WYBREW

RESTRICTED

CC/BG

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

NBPM.

22 April 1986

Dear Nicholas,

LONDON REGIONAL TRANSPORT: PERFORMANCE AND CORPORATE REVIEW

Thank you for your letter of 15 April to Nigel Lawson enclosing a note which reviews London Regional Transport's recent performance and their 1985 Corporate Plan.

I agree with you that LRT's recent performance is commendable. The significant reductions they have achieved in unit costs - exceeding their target of a 2½ per cent real reduction in unit costs - are particularly to be welcomed. I hope that British Rail can emulate this performance, particularly given the competition between BR and LRT on some London routes. I welcome the prospect that the industry as a whole will not require any revenue subsidy from 1990-91 onwards.

I agree that the 1986 plan should contain more analysis of the risks facing LRT. I would like also to see some analysis of the effect of lower energy costs on LRT's operations. We will also need, as you suggest, to agree new objectives for LRT, preferably before the end of 1986, given that LRT will be meeting the revenue support target a year early. As well as setting a demanding target for revenue support, I would also favour separate targets for the bus and underground businesses. It is clearly of concern to the prospect of competition with private sector bus operators that LBL remains in receipt of subsidy - particularly revenue subsidy - in 1990-91. The lack of success of LBL in winning competitive tenders referred to in paragraph 20 of the review underlines the need for

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competition with the private sector to further reduce costs. I would be grateful if you could keep me in touch with your thinking on the timing of bus deregulation in London. One factor we will have to take into account in deciding on when buses in London should be deregulated is the likely impact of LBL finances.

I am copying this letter to the Prime Minister, other members of E(NI) and to Sir Robert Armstrong.

Yours ever,

JOHN MacGREGOR

TRANSPORT: LRT 11/83



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

15 April 1986

Dear Nigel

LONDON REGIONAL TRANSPORT: PERFORMANCE AND CORPORATE PLAN REVIEW

I am enclosing a note which reviews London Regional Transport's recent performance and their 1985 Corporate Plan.

LRT's track record to date fully vindicates our decision to take control of them from the GLC in July 1984. The objectives which I gave Keith Bright (listed in paragraph 2 of the note) included financial targets which were then assessed to be realistic though demanding. LRT's performance has in every respect satisfied or exceeded my expectations. Their achievement in reducing their dependence on revenue support is particularly striking. The GLC had proposed to increase revenue support from £190M in 1984/85 to £245M in 1987/88. My objective was that it should be halved over the same period. In December 1985 the forecast outturn for revenue support for the current financial year was £109M; the latest prediction is £98M. In other words LRT will have virtually delivered my revenue support target two years early. Their plan shows every prospect that this favourable trend will continue.

In reducing revenue deficits LRT have not chosen soft options. Increases in fares have no more than kept pace with inflation and there has been no significant cut in the extent or quality of services; indeed the Underground service is being increased. Patronage has been stable or increasing.

Against that helpful background, LRT have launched a comprehensive attack on costs: eliminating waste, restructuring the business to sharpen management accountability, reducing manpower (already down from

57,400 to 53,100 and forecast to decrease to 44,300 by the end of 1990/91) and exposing activities to competition where practicable. Unit costs are down in real terms by 6.4% for the buses and 3.7% for the Underground this year compared with last and are forecast to fall by a further 5.3% and 3.5% next year. This compares with my target of an overall reduction of 2½% per annum. Above all, LRT have succeeded in delivering these very major improvements without any significant disruption by the workforce.

LRT will remain dependent for the foreseeable future on grant to sustain their investment programme. But the rapid reduction in subsidy will ease the burden on public funds. The Corporate Plan offers the prospect by 1990/91 of the industry, considered as a whole, doing without revenue subsidy. This would represent a saving of perhaps £250M a year to the taxpayer and ratepayer compared with what could have been expected under the GLC.

Some continuing subsidy for bus operations is forecast over the period of the plan. But LRT's vigorous espousal of competitive tendering is already having the effect of converting London Buses into a business keenly aware of the increasing competitive threats to their operations and prepared to take them on. This bodes well as we move towards full deregulation in London.

The 1985 Corporate Plan document itself is concise and to the point. For the 1986 Plan I shall want to see more emphasis on analysis of the risks attaching to LRT's central strategy. For example we need a better understanding of the causes of the current favourable trends in patronage and how far the promised performance depends on its continuation. We shall need to take a view on the likelihood that LRT can meet their ambitious target in containing the wage bill. More particularly future Plans will have to deal with the role and performance of London Buses as it faces up to the prospect of deregulation, and the objectives for LRT's supporting activities, notably bus and rail engineering.

Keith Bright's current appointment expires in October 1987. That will be the time to give him or his successor a new set of objectives including possibly separate targets for the bus and Underground businesses. We should be able to start formulating these objectives in the light of the 1986 Corporate Plan.

I am sending copies of this letter and enclosures to the Prime Minister, other members of E(NI) and to Sir Robert Armstrong.

Yours ever
Nicholas

NICHOLAS RIDLEY

LONDON REGIONAL TRANSPORT: PERFORMANCE AND CORPORATE PLAN REVIEW

Note by Department of Transport

This Note reviews the performance of London Regional Transport (LRT), since their formation in June 1984, and LRT's 1985 Corporate Plan for the 5-year period 1986-87 to 1990-91.

Chairman's Objectives

2. Dr Bright was given the following objectives in July 1984 after the Government took control from the GLC:

(1) revenue subsidy to be reduced from £190M planned by the GLC for the financial year 1984-85 to £95M by 1987-88;

(2) unit costs to be cut cumulatively by at least 2½% per year in real terms;

(3) fares to be held broadly in line with inflation and with those charged on British Rail suburban services;

(4) investment to be brought forward to reduce future costs and modernise the system;

(5) separately accountable subsidiaries to be set up to run the main Underground and bus businesses;

(6) private sector provision of services to be sought where cost-effective;

(7) special attention to be paid to needs of the disabled.

LRT were also asked to establish effective co-operation with British Rail in planning and providing services; and with the London Regional Passengers' Committee (LRPC) for securing consumer advice.

Financing Arrangements

3. Up to and including 1984-85, the revenue deficits and capital needs of LRT (formerly LTE) were funded by grant from the GLC. Following the transitional funding of LRT in 1984-85 by the GLC, the Government assumed responsibility for the payment of grant on 1 April 1985. LRT's recent financial performance and forecasts for 1985-86 are as follows:

£M	1980	1981	1982	1983	1984-85*	1985-86
Turnover	479	483	558	578	735	642
Revenue grant	92	82	123	175	186	130
Capital grant	126	135	190	164	152	193
Total grant	218	217	313	339	338	323
Total grant at 1985-86 prices	313	278	369	382	360	323

* 15-month accounting period spanning the transition from calendar to fiscal year accounting.

4. The grant needed for 1986-87 has fallen in total to £295M; the proportion devoted to revenue support will decrease from two-fifths to one-quarter. LRT's plans for investment in 1986-87 amount to £261M of which £216M will be funded from grant, the balance being found from internal resources.

Progress towards Government objectives

5. LRT have concentrated on reducing revenue deficits by a general attack on costs and by better marketing to increase income. The planned deficit for 1985-86 was £130M. LRT, in their Business Plan published in December 1985, forecast an outturn deficit of £109M and plan to reduce the deficit in 1986-87 to £74M, net of £5M provided to fund Dial-a-Ride services for the disabled from 1 April 1986. Thus LRT are set to improve on the Government's revenue support target of £95M in 1987-88 by a substantial margin.

6. The annual reduction in real unit costs is also in excess of the 2½% target. A 6.4% reduction in bus unit costs and 3.7% in Underground unit costs should be achieved in 1985-86, with 5.3% on buses and 3.5% on the Underground to follow in 1986-87. Part of the reduction in total costs results from a tighter fitting of services to demand, bus services having been marginally trimmed in 1985-86. But the general buoyancy of demand means that service levels will now need to be maintained on the buses and increased on the Underground; LRT are pursuing a vigorous policy of matching services to changing patterns of demand.

7. Reductions in manpower have played a significant part, though no specific target was set. The following table shows progress made and expected:

	1 January 1984	31 March 1985 achieved	31 March 1986 planned	31 March 1986 expected	31 March 1987 planned
Total	57,400	55,800	53,600	53,100	51,150

8. Fares increases in January 1985 and January 1986 matched inflation. The structure of increases has been biased to encourage the pre-purchase of multi-journey passes, with gains in efficiency and patronage. Investment increased in 1985-86 by about £50M above that in the 1984-85 financial year; LRT's plan for 1986-87 allows for a further £30M increase. Most investment is spent on renewing the system or on cost-saving projects like automatic ticketing and the extension of one-person-operation.

9. In reforming the industry's structure LRT have followed two complementary courses. For their main operations, limited liability companies to run the buses (London Buses Ltd - LBL), the Underground (London Underground Limited - LUL) and bus engineering (Bus Engineering Ltd - BEL) were formed on 1 April 1985; the Docklands Light Railway will be established as a further subsidiary company before opening in 1987. Ancillary activities are being formed into separately accountable units within LRT, so that central and operational activities within the group can trade with each other at armslength.

10. Competition is being sought where possible. For example, LRT have initiated a major programme of tendering for bus services, exposing LBL to competition from other operators, and in-house supporting services as bus maintenance are being subjected to external competition to keep prices down.

11. A special unit, reporting to a designated member of the Board, has been set up to meet the needs of disabled passengers. From April 1986 it takes over the funding of the Dial-a-Ride service and will act as the London Boroughs' agent in administering the Taxicard scheme.

Planning Process

12. LRT operate in several different transport markets. The planning process must allow each business sufficient flexibility to respond to its market circumstances while exerting firm corporate control over the implementation of management plans to secure performance in line with Government objectives. LRT give their businesses guidelines, based on the Plan and LRT policy statements, which establish assumptions to be made on external economic factors and set targets for the reduction of unit costs and, where relevant, service levels, quality and fares. The businesses develop plans containing their own wage assumptions and define strategies to meet or beat the targets which have been set. LRT review business plans, securing amendments as necessary before incorporation into the Plan presented to Government. LRT monitor the implementation of business plans but leave to the businesses responsibility for devising divisional or project-based plans as instruments of managerial control. The process is inevitably top-down since LRT, not the businesses, receive Government grant and are under the statutory obligation to oversee the conduct of their businesses. But it firmly attributes financial responsibility, encourages control of management action planning and, within an overall marketing strategy, leaves businesses scope to respond to diverse market conditions.

The 1985 Corporate Plan

13. A summary of the Plan is attached. Fuller details of recent performance and short-term prospects are set out in LRT's Annual Business Plan, also attached. Current Ministerial objectives for LRT expire in 1987-88. The Plan's underlying assumptions are of a broadly stable demand for bus travel, a 5% increase in demand for Underground services by 1990-91 and the provision of a broadly stable quality of service - as measured in average waiting times, vehicle loading and percentage of scheduled services operated. Manpower would be cut by a further 9,865 (or 18%) to 44,335 by March 1991. Efficiency, measured in mileage operated per employee, would have increased by 17% on the buses and by 28% on the Underground. An uneven pattern in the reduction of real unit costs is forecast, as it is influenced by the timing of cost-saving investment, but its weighted average for the 5 years to 1990-91 of 2.8% a year continues to beat the current shorter term target. Fares would be held constant in real terms.

14. The industry will remain dependent on grant, but the amount would be cut by £115M on 1985-86 levels (or broadly halved in real terms). External finance would account for about 19% of total costs (33% in 1985-86) and, through the elimination of the industry's overall operating deficit, would be applied wholly to the funding of capital by 1990-91. The industry's operating ratio of income to total spending improves over the period from 67% to 81%; the Underground's ratio improves more substantially (76% to 93%) than that of the bus business (66% to 72%) which operates more labour-intensively in a more difficult market. The elimination of the industry's operating deficit however relies upon a modest operating profit on the Underground to counter balance a reduced operating loss on the bus service.

Key Risks and Uncertainties

15. Demand forecasts in the Plan are based on a central estimate of the effects of external economic factors. The underlying assumptions of stability in the population of London, growth of disposable income and buoyancy of tourism have led to forecasts of expanding patronage. These external factors

collectively will of themselves increase demand over the Plan period for Underground services by 4% and hold the decline in demand for bus services to 2½%. Marketing and service initiatives, building on the marketing success of LRT travelcards, are forecast to eliminate that decline in demand for bus travel and raise Underground demand to 5%. The 1986 Plan will update these forecasts and examine upper and lower estimates to give confidence limits.

16. A loss of 1% demand each year from the 1985 forecasts would produce an operating deficit for the industry of £34M by 1990-91 (£14M on the buses and £20M on the Underground), compared with the Plan's break-even estimate. The most volatile element of demand results from tourism, of which 60% is foreign and 40% domestic. LRT's estimate of 2% annual growth in tourism is modest in comparison with the last 5 years' experience of 8-10% annual growth. LRT assess that a 10% increase in tourism yields a 1½% increase in demand for their services.

17. External factors differ in their effect upon bus and Underground demand. Growth in disposable income encourages car use which has a greater effect on bus than Underground patronage; likewise increased unemployment erodes bus patronage but has less effect on Underground demand. On the Underground, which in 1985-86 had its busiest year ever, the risk to increasing patronage comes more from pressure on the capacity of parts of the system, where severe overcrowding in normal service conditions may deter optional custom. The scope for accommodating changes in demand will be reported in the 1986 Plan.

18. Marketing Directors have been appointed to the bus and Underground companies to revise and consolidate LRT's marketing strategy which will be reported in the 1986 Plan. A key element is the continued transformation of a market of passengers paying individual fares into one where pre-purchased tickets and passes predominate. That will facilitate the introduction of automatic ticketing and further extensions of one-person-operation so reducing manpower and opportunities for fraud.

19. The second main area of risk is LRT's ability to deliver ambitious targets to contain the wagebill. LRT's aim is to contain or reduce real wages and to cut manpower significantly so retaining in full the benefit of increased productivity. So far LRT have been very successful on both counts. Much now depends on the industry's ability to avoid real wage increases for Underground workers and secure a 1% annual cut in busmen's wages. The markets for these skills are different. On the Underground automation will save manpower but there is little external pressure to contain skilled wages. On the buses there is a distinction between the inner and outer London labour markets; in the latter LRT are exploiting the competitive pressures of tendering to lower wage expectations in LBL.

20. The third area of uncertainty is the impact on LBL of the major changes which will be brought about by bus deregulation. The Plan does not allow for the effects of deregulation for which no date has yet been set. LRT have been putting out to tender tranches of mainly suburban bus routes and LBL's performance has so far fallen well short of retaining 50% as the Plan assumes. Tendering is yielding significant savings to LRT and is exposing LBL to competition from operators with lower wage rates and less restrictive practices. The implications for LBL of full deregulation and its timing will have to be addressed in future Plans.

21. The last area of uncertainty is the contribution to be expected from LRT's supporting activities. Collectively they contribute about £30M to an expected turnover in 1985-86 of around £650M; but some make losses. The business structure and investment needs of the bus engineering subsidiary BEL are being rethought following the decentralisation of bus overhauls to LBL's garages; a new business plan will address problems of poor productivity and overcapacity and the prospects for external sales. In property development LRT, in accordance with Ministerial guidelines, are pursuing a policy of more vigorous and profitable disposal, backed by better exploitation of assets which remain essential for operational reasons. The 1986 Plan will report progress on ancillary activities in more detail.

Investment

22. The bus purchase programme is designed to secure future operational savings through further extensions of one-person-operation and the introduction of automatic ticketing. The pace of this programme will need to be reviewed in the light of deregulation. A major and continuing element of the Underground programme is the renewal and replacement of assets; the major priority otherwise is to secure the rapid introduction of cost-saving investment. On both systems particular attention will be given to fraud prevention, passenger security and, as part of the marketing effort, improving the customer environment. The Plan assumes investment continuing at well over £200M a year throughout the period. Beyond the Plan period the comprehensive re-equipment of the Central Line in the early 1990s represents the largest project in prospect. The capital programme will be updated in detail in the 1986 Plan.

1986 Plan

23. The key business risksand uncertainties have been noted above. Risk analysis will therefore be a major feature of the 1986 planning process, already under way. The development of the central strategy outlined in the 1985 Plan will focus, in particular, upon: the marketing strategies of the main businesses and their responsiveness to market risks; more detailed analyses, by activity, of the scope for manpower and cost reductions; plans for ancillary businesses and activities and their relationship to corporate objectives; implications of bus route tendering and de-regulation; and the updating of investment programmes.

Summary

24. The 1985 Plan accords with Ministers' objectives for LRT. It aims to secure continued cost reductions without reducing the volume or quality of services provided. Major savings in manpower through a continuing and substantial programme of investment in new technology, backed by the ending of restrictive practices and tighter managerial control, are central to this

strategy. On this basis the Plan points to the elimination of the industry's overall need for revenue support in 5 years. Fares are to be held constant in real terms and demand will remain stable or slightly increase. The areas of uncertainty concern the ability of LRT to respond effectively to adverse developments in their business markets or in the general economy. The quantification and containment of risk will be addressed in the 1986 Plan.

Department of Transport
April 1986.

LONDON REGIONAL TRANSPORT
CORPORATE PLAN 1985

SUMMARY

The Plan puts forward a tough programme of cost savings, so that the steadily reducing revenue support can be accommodated whilst keeping a policy of stable real fares and services. The major features are achievement of a break-even revenue budget at the end of the period, a reduction in the call on total public funds from £325 million in 1986/7 to £210 million in 1990/91, a growth in demand and a small increase in Underground service levels.

Efficiency

The Plan includes unit cost reductions of 2.5% p.a. over the full five year period, thus exceeding the targets of the 1984 Plan and meeting the Secretary of State objectives. A major contribution to greater efficiency will be made through better cost identification, control and accountability but competitive tendering in all practical areas will also be a significant element. For Bus services, it is planned that tendered services will increase steadily, matching the capacity of the private sector. A third critical factor is the capital expenditure programme for modern ticketing-systems, improved infrastructure and new buses on which a large part of the proposed cost reductions depend.

Travel

Demand has now shown a steady upward trend for some two years. This is believed to be due to the improved ticketing system, stable fares and better quality service. The Plan targets for limited further growth in demand, matched by stable bus services and slightly better train services, are based on these assumptions. The completion of station modernisation programmes and the provision of better passenger information are expected to contribute to the growth in demand.

Co-ordination

The integrated Travelcard has made a significant impact on demand by allowing the system to be used easily and flexibly by passengers : it has also given LRT the opportunity to match services to demand and eliminate wasteful duplication. The introduction of the Capitalcard has proved a further successful step in this process and therefore the Plan proposes both a wider range of integrated ticket facilities and a programme of interchange improvements affecting both BR and LRT.

The Disabled

The Plan includes changes in design which can, at little extra cost, be included in new buses, in ticket offices and signing plans to aid the passenger with disabilities. However, more major changes, such as provision of lifts at "core" stations would require more substantial funding and this is not included in the Plan.

Management

The changes in structure put in place in 1984/5 will be consolidated during the period of the Plan and the principles of separate accountable units will be extended wherever practicable. Managing change with its implications for staff attitudes and levels will be pursued with a firm and consistent approach to industrial relations but recognising the contribution made by individuals who have often given years of committed service.

The Plan deals first with the framework for LRT's strategy, then the passenger then cost reduction. The assumptions and uncertainties are set out separately, including the assumed levels of funding on which the Plan is based. The following table summarises the key elements in figures.

	1985/6	1986/7	1987/8	1988/9	1989/90	1990/1
Real Fares Index	100	100	100	100	100	100
Cash Fares Index	100	106	111	117	123	129
Service Levels (million miles operated)						
- Bus *	173	173	173	173	173	173
- Underground	29.7	30.6	31.2	31.3	31.4	31.9
- Docklands Light Rail	-	-	0.6	0.8	0.8	0.8
Demand (million passenger miles)	5970	6030	6110	6155	6175	6185
Revenue Deficit (£m)	117	93	70	58	26	0
Capital Expenditure (£m)	230	266	251	237	217	223
Grants (£m)						
- Revenue	130	93	70	58	26	0
- Capital	195	234	237	224	204	210
External Finance (£m)	323	325	305	280	228	208
Staff						
- Total (fiscal year end)	53615	51530	49770	47910	45610	44335

* Consisting of London Buses and tendered services, and also contracted and Section 3(2) Agreement services.

IV THE PLAN IN FIGURES

87. Table 3 sets out the financing details of the preferred Plan, with Tables 4 and 5 setting out the financial, staffing and performance details of the 1985 Corporate Plan. The cost of bus services has been presented in two parts. First the cost if all routes continued to be operated by London Buses, and secondly a negative provision to reflect the expected further savings from bus route tendering - either in the greater cost savings required for London Buses to win all tenders or from lower costs with external suppliers.

TABLE 3 FINANCING THE PLAN

OUT-TURN (CASH) PRICES (£m)	1985/6	1986/7	1987/8	1988/9	1989/90	1990/91
REVENUE DEFICIT	117	93	70	58	26	0
TOTAL CAPITAL INVESTMENT	230	266	251	237	217	223
TOTAL FUNDING REQUIRED (Internal plus External)	347	359	321	295	243	223
INTERNAL RESOURCES						
Surplus B/F	8	13	-	-	-	-
Working Capital	-4	2	1	1	1	1
Asset sales/property	12	12	12	12	12	12
LDDC and Leasing Fund Income	16	7	3	2	2	2
Externally Funded #	5	-	-	-	-	-
Total Internal Resources	37	34	16	15	15	15
EXTERNAL FINANCE						
Revenue Grants	130	93	70	58	26	0
Capital Grants	195	234	237	224	204	210
GRANTS REQUIRED	325	327	307	282	230	210
Cost of Leasing	-2	-2	-2	-2	-2	-2
TOTAL EXTERNAL FINANCE	323	325+	305	280	228	208
SURPLUS	13	n/a	n/a	n/a	n/a	n/a
1984 CORPORATE PLAN (19 October 1984)						
Revenue Deficit	144	119	95	87	79	n/a
External Finance	342	345	333	n/a	n/a	n/a

From 1986/7 externally funded works are omitted from both the capital programme and funding.

+ Assuming 1985/6 surplus of £13m applied in 1986/7.

TABLE 4 : THE PLAN IN FIGURES - FINANCIAL AND STAFFING

OUT-TURN (CASH) PRICES £m		1985/6	1986/7	1987/8	1988/9	1989/90	1990/91
REAL FARES INDEX (1985/6 = 100)		100	100	100	100	100	100
CASH FARES INDEX		100	106	111	117	123	129
INCOME							
London Buses and Tendered	- Fares	230	243	255	269	284	300
	- OAP & Concessions	62	67	70	73	77	81
	- Other	2	3	3	3	4	4
	- Total	294	313	328	345	365	385
Underground	- Fares	317	343	367	389	411	433
	- OAP & Concessions	8	9	9	9	10	10
	- Other	16	17	20	21	23	25
	- Total	341	369	396	419	444	468
Total Income		635	682	724	764	809	854
REVENUE EXPENDITURE (excl. D&R)							
London Buses and Tendered Routes		398	410	425	444	447	461
Savings from Bus Route Tendering		-	-4	-5	-6	-7	-8
Underground		321	334	346	359	370	376
BEL (net)		4	3	1	-2	-3	-3
Centre		17	17	18	18	19	19
Bus Service Support		3	3	3	3	3	3
Provision for Service Initiatives		-	2	2	2	2	2
Provision for Surplus Staff		9	10	4	4	4	4
Total		752	775	794	822	835	854
REVENUE DEFICIT		117	93	70	58	26	0
INCOME AS % OF REVENUE EXPENDITURE (1984/5 Fiscal = 78)		84	88	91	93	97	100
CAPITAL EXPENDITURE							
Bus		43	52	64	68	70	77
Underground		128	174	163	151	129	129
BEL		5	13	5	1	1	-
Centre		8	8	8	8	8	8
Docklands		32	10	2	-	-	-
Property		9	9	9	9	9	9
Externally funded		5	-	-	-	-	-
Total		230	266	251	237	217	223
Retail Price Index (1985/6 = 100)		100	106	111	117	123	129
STAFF NUMBERS (fiscal year end)							
London Buses		25400	24800	24400	23700	22800	22200
Contingency for Tendering		-100	-400	-800	-1000	-1300	-1500
Underground		21875	21050	20500	19800	18850	18500
BEL		1850	1700	1400	1250	1200	1175
Other		4490	4380	4270	4160	4060	3960
Total LRT		53615	51530	49770	47910	45610	44335
Total (Average for year)		54500	52400	50550	48800	46500	44900

TABLE 5 : THE PLAN IN FIGURES - SERVICE AND PERFORMANCE

	1985/6	1986/7	1987/8	1988/9	1989/90	1990/91
SCHEDULED SERVICES (m miles)						
Greater London Local Bus Services						
- London Buses and Tendered	166	165	165	165	165	165
- Contracted	6	6	6	6	6	6
- Section 3(2) Agreement	3	3	3	3	3	3
- Total	175	174	174	174	174	174
London Buses Out-County Services	4	4	4	4	4	4
London Buses Commercial and Other	2	2	2	2	2	2
Underground Target						
- Run over LRT lines	29.7	30.6	31.3	31.3	31.4	31.9
- Run over BR lines	0.6	0.6	0.6	0.6	0.6	0.6
ONE-PERSON OPERATION (% year average)						
- London Buses	64	72	77	82	87	91
- Underground	21	34	50	63	64	64
ESTIMATED OPERATED MILEAGE (m miles)						
- London Buses and Tendered	164	164	164	164	164	164
- Underground Target	29.7	30.6	31.2	31.3	31.4	31.9
- Docklands Light Rail	-	-	0.6	0.8	0.8	0.8
DEMAND Passenger Miles (m)						
London Buses and Tendered	2610	2600	2600	2610	2630	2630
Underground	3360	3430	3490	3520	3520	3530
Docklands Light Rail	-	-	20	25	25	25
PERFORMANCE INDICATORS						
REVENUE COSTS (excl D&R) (£ cash)						
Per Bus Mile Operated (London Buses and Tendered)						
- £ cash	2.43	2.48	2.56	2.67	2.6[illegible]	-.76
- % real change	-7.7	-3.7	-1.7	-0.7	-4.	-1.9
Per Train Mile - £ cash	10.81	10.92	11.09	11.47	11.7[illegible]	
- % real change	-3.3	-4.7	-3.3	-1.5	-2.2	
MILES OPERATED PER EMPLOYEE						
London Buses*	6260	6560	6690	6830	7130	7320
Underground	1560	1660	1750	1810	1900	2000
MILES OPERATED AS PERCENTAGE OF SCHEDULE						
London Buses	95.2	95.7	95.7	95.7	95.7	95.7
Underground	98	98	98	98	98	98
VEHICLE LOADINGS						
London Buses and Tendered	15.9	15.9	15.9	15.9	15.9	15.8
Underground	113	112	112	112	112	111
AVERAGE WAITING TIMES						
London Buses and Tendered (mins)	6.9	6.8	6.8	6.8	6.8	6.8
Underground (mins)	3.2	3.2	3.2	3.2	3.2	3.2

Excluding non-revenue staff. * Assuming all route tenders won by London Buses.

VI PLAN ASSUMPTIONS AND UNCERTAINTIES

Industrial Action

93. During 1985 LRT has faced industrial action in both bus and rail operations, concerning pay increases and the extension of OPO, respectively. In both instances major disruption of services was averted.

94. It is expected that any short-term total closure of services through industrial action would have a broadly neutral effect on LRT's finances. However, in the event of any losses of net revenue caused by selective disruption LRT would take appropriate action to offset as far as possible these effects and to attempt to ensure that the financial targets detailed in this Plan would still be achieved.

Inflation

95. The Plan assumes an inflation rate of 6% between 1985/6 and 1986/7 and 5% thereafter. These assumptions lie somewhere between the Government's lower figure and most external forecasters' higher figures. Any variation from this level of inflation will directly affect the level of costs. If fares levels are adjusted in line with the variation in inflation then demand and, in real terms, receipts will be unchanged. In this situation all the cash forecasts, including the support requirements, would increase or decrease in line with the change in inflation rate. Hence a 1% pa higher rate of inflation would increase external financing requirements in 1990/91 by some £10m.

Pay Levels

96. The assumption that pay rates can be held below external settlements is critical to the achievement of the financial targets, and may prove a formidable task. Were wages to keep pace with outside earnings, which may be growing in real terms at 1% per annum, then in 1990/91 LRT's deficit would be £40 million higher. An increase in real fares of the order of 6% and reduction in bus services of 3% would be necessary to retain support at the Plan level.

Deregulation

97. The Plan has been framed on the assumption that the legislation which requires fares and service co-ordination and obliges LRT 'to have due regard to transport needs' will continue in force over the life of the Plan. Nevertheless planning must have regard to the government's intention to deregulate within London. LRT has taken a number of initiatives which are consistent with deregulation - action to reduce costs will assist LBL and LUL in facing competition. Bus service tendering is also being expanded and this too can be operated in a regulated or deregulated environment. By contrast some initiatives will be much more difficult, if not impossible. Co-ordination with BR, interchange improvement and the elimination of "wasteful duplication" are all policies which are only likely to be effective in a regulatory environment.

98. Whilst the Transport Bill now before Parliament would abolish all quantity regulations outside London, conditions inside London warrant a different approach. The rail network is much more comprehensive, traffic conditions are considerably worse and travel to Central London is dependent on the efficient use of the entire bus and rail network. If London were deregulated then companies would compete for passengers in a way which would undermine a co-ordinated approach, transferring passengers from rail to bus and adding to London's congestion problems. While fully recogning the benefits of competition in keeping costs down, LRT believes its present policy of bus service tendering maximises the benefits to passengers.

99. Although full deregulation will not initially apply in London, LRT will nevertheless be affected to a degree by the changes which it is intended the 1985 Transport Bill will bring about. LRT will respond to the legalisation of taxi sharing at separate fares by seeing what scope there is for linking taxis to the bus network. In addition, all services requiring financial support from the Shire County Councils will have been tendered by October 1986. Finally, services carrying passengers more than fifteen miles in London will also, when deregulated, be a source of competition to LRT. However the only reform that will have a significant impact on LRT is cross boundary tendering. The requirement for this is incorporated into the Plan forecasts.

ANNEX A. ECONOMIC FORECASTS

FUTURE TRENDS IN DEMAND

Experience over the past year and changes in external factors have led to a fairly radical re-assessment of future market prospects. Increased economic activity, the cessation of population decline in London and high levels of tourism, together with the continuing success of Travelcards, have produced more optimistic forecasts. On bus, no significant change in overall levels of demand is forecast over the next five years. Underground demand is expected to continue to grow over the period of the Plan, but at a declining rate of increase. The figures for each year are;

	86/7	87/8	88/9	89/90	90/91
Underground Demand	+2.0%	+1.5%	+0.7%	+0.2%	+0.2%

Hence by 1990/91 Underground demand will have increased by some 5% compared to current levels.

Although these forecasts should be achieved, assuming modest growth in consumer expenditure and tourism compared to recent years, this is an area of uncertainty which could undermine the overall plan. The following table shows the basis of the overall demand forecasts.

Demand Effects 1985/6 to 1990/91

		Bus	Underground
Consumer Spending	(+1% p.a.)	+1.0%	+3.0%
Greater London Area Population (no change)		-	-
Employment	(+0.75% p.a.)	+1.5%	+1.0%
Car Ownership	(+1½% p.a.)	-6.0%	-2.0%
Tourism	(+2% p.a.)	+1.0%	+2.0%
External Factors		-2.5%	+4%
Fares and Service Planning Initiatives		+2.5%	+1%
Total Trend		Nil	+5%


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003/1282

CONFIDENTIAL

cc b/G

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1

NBPM.

7 April 1986

Dear Secretary of State,

LRT (UNDERGROUND) PAY

Thank you for your letter of 31 March.

While I accept Keith Bright's judgement that LRT may need to offer slightly more than 5 per cent, I would make the points that LUL's recent settlements have been higher than those at British Rail and that the inflation rate is set to fall from the 5.1 per cent recorded for February. The "initial" negotiating ceiling which LRT have accepted should therefore be regarded as the upper limit on what LRT are prepared to offer.

It is of course essential that the eventual settlement be offset by productivity improvements so that LRT continue to meet their target of a 2½ per cent real reduction in unit costs per year. I am well aware of the impressive recent record of LRT, on which Keith Bright is to be congratulated, so I am sure that he will be aiming for this.

I am copying this letter to the Prime Minister, other members of E(PSP) and to Sir Robert Armstrong.

Yours sincerely,

Paul Fegler

pp JOHN MacGREGOR

CONFIDENTIAL (approved by the Chief Secretary and signed in his absence)

Transport:

LRT. Nov. '83



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

31 March 1986

Dear John

LRT (UNDERGROUND) PAY

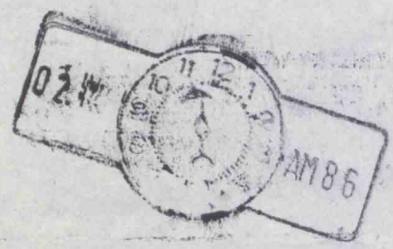
LUL pay negotiations open on 8 April and Keith Bright has told me he proposes moving quickly to an offer of 5%. He takes the view that given the level of the BR settlement (5.2% on average earnings) an offer below that level would be regarded as a transparent negotiating ploy.

Taking account of the significant improvements in LUL's efficiency and revenue surpluses, coupled with last year's relatively low settlement (i.e. 4.9% compared with a prevailing inflation rate of 6.2% and public sector settlements averaging 5.5%) Keith Bright believes he will need to move a few points above the 5% offer. He has accepted, however, an initial negotiating ceiling of 5.2% which he will not exceed without further reference to me.

Copies of this go to the Prime Minister, other members of E(PSP) and to Sir Robert Armstrong.

Yours ever
Nicholas

NICHOLAS RIDLEY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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

NBR

19 March 1986

Dear Secretary of State,

LONDON BUSES: PAY

Thank you for your letter of 18 March.

Obviously I would like to see a settlement below last **year's level of 4.9 per cent if possible but, under the circumstances, I can accept 5.25 per cent as a negotiating ceiling. I welcome the fact that productivity improvements** will offset part of the cost. These will obviously be essential if this settlement is to be consistent with achievement of LRT's real unit cost reduction target of 2½ per cent per year. I hope that the productivity improvements involved can be underlined in any publicity given to the eventual settlement.

I am copying this letter to the Prime Minister, E(PSP) members and to Sir Robert Armstrong.

Yours sincerely,

JOHN MacGREGOR

(approved by the Chief Secretary and signed in his absence)

CONFIDENTIAL

TRANSPORT : LRT : NOV 1983



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CC BF

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

18 March 1986

Prime Minister 2
DRS
18/3

Dear John

LONDON BUSES: PAY

There seems a good chance now that the London Bus union will lift their strike threat today in the light of progress on recent talks with the management. Provided this happens, and provided the unions accept a new bus scheduling agreement at the same meeting today, London Buses Limited intend opening pay negotiations with their employees on Thursday 20 March.

Keith Bright is proposing to make an initial offer of 4.5%. This will be linked to far-reaching new productivity measures which entail a substantial revision of existing conditions of service and pay, especially for new entrants. The package would be worth 3% to LBL, all of which would be contained within the proposed pay figure.

Keith Bright sees it as almost inevitable that he will be forced quickly to concede 5%, and possibly a little way beyond that to secure the very worthwhile productivity gains he is seeking. I propose to give him authority to move if necessary to 5.25%, provided this can be firmly associated with the new productivity measures. Such a settlement would be an extremely good deal for LBL. We must, I think, realistically accept that the price of achieving these productivity gains may be a somewhat higher nominal increase than would be acceptable in other industries.

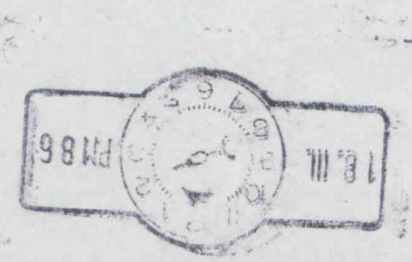
Unless I hear from you by midday on Wednesday I will assume that you are content that I should give Keith Bright authority to negotiate up to 5¼% provided the deal is firmly linked to productivity.

I am copying this letter to the Prime Minister, to other members of E(PSP), and to Sir Robert Armstrong.

Yours ever

Nicholas

NICHOLAS RIDLEY



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CONFIDENTIAL

NBPM
AT 15/7

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

12 July 1985

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Transport

Dear Nick

PAY: LRT BUS

You wrote to me on 9 July about the LRT's negotiations with its bus crews. I am grateful to you for keeping me in touch with developments.

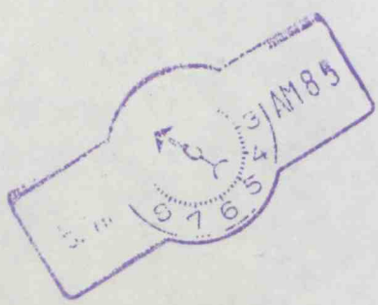
At this stage, I would only suggest that it would be helpful in the wider pay context if LRT could present its deal as a 4.9 per cent increase, with productivity commitments, rather than quote any other figure. It is not clear to me whether the 3 per cent you mention in your letter represents the maximum further payment which might be made to the bus crews once the productivity schemes were in place. Such a payment could of course only be justified by the actual delivery of the productivity increases, and it would need to be fully consistent with the EFL - nor must it compromise progress towards the revenue support target which, as you know, relies heavily on productivity improvements.

I have copied this letter to the Prime Minister, to Leon Brittan and Tom King and to Sir Robert Armstrong.

Yours

NIGEL LAWSON

LRT.: Transport, Nov. 1983



CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

9 July 1985

Dear Nigel

PAY: LRT BUS

I should report that LRT have opened negotiations with the TGWU on bus pay.

LRT are offering a 4% gross increase in basic pay, or 4.35% including a £1 a week supplement for OPO drivers.

At the same time LRT are seeking to negotiate a substantial productivity deal involving a rescheduling of work attendances and a renegotiation of various service and bonus schemes, worth in total some 3% in a full year. Provided they are able to secure agreement to these schemes by specific dates later this year, they are prepared to increase their offer up to 4.9%. (The offer to LRT underground staff is currently at 4.95%).

In view of the current rate of inflation, and the going rate for wage settlements, and the potential productivity savings both this year and subsequently, I think such an agreement would be an exceptionally favourable one, and one which LRT should have no difficulty of financing within their EFL this year. I fear, however, that the chances of achieving such a settlement without an all-out strike cannot be good, especially given the fact that the TGWU consider that they now have a mandate for strike action. I am in close touch with Keith Bright and will let you know of any significant developments.

I am copying this letter to the Prime Minister, to Leon Brittan and Tom King, and to Sir Robert Armstrong.

Yours ever

NICHOLAS RIDLEY

CONFIDENTIAL

Prime Minister: 2
An Optimistic report on LRTs prospects

~~PT~~ to see fully

CONFIDENTIAL

PRIME MINISTER

29 May 1985

TF 29/5

LONDON REGIONAL TRANSPORT

John and I saw Keith Bright, Chairman of LRT, shortly after he and his managers had successfully resisted the NUR strike over driver-only underground trains. This success came from painstaking preparation, with the emphasis on openness and effective communication throughout LRT's 56,000 workforce. Immediately before the strike broke, staff were sent individual letters explaining the background and facts. Likewise, the London press and local MPs were fully briefed with LRT's case. The NUR were given no chance to use to their advantage the threat of action under the 1984 Industrial Relations Act; LRT immediately took legal action on the grounds that no ballot had been conducted.

Another recent exercise in good industrial relations entailed inviting all the staff of London Transport Builders - an internal civil engineering department - to the Odeon, Leicester Square, for a detailed explanation of the poor financial results of the organisation and the need for the workforce to be reduced; as a result a trouble-free reduction from 1,400 to 900 is being achieved through voluntary redundancy or early retirement. To keep them lean and hungry internal organisations like this have to compete against external tenders.

More importantly, the quality of LRT's management looks like bearing fruit in future. Two years ago, the EFL for LRT was approaching £400 million and set to go on rising. This

year Keith Bright expects to beat an EFL of £323 million. Within 5 years LRT expect progressively to reduce their Revenue Grant from the current level of £128 million to zero, or even make a contribution to capital expenditure. After the current programme of long-neglected capital expenditure to increase efficiency (eg automatic ticketing on the underground), and to improve levels of customer service and appeal, LRT are looking for substantial reductions in the Capital Grant - £197 million this year.

Although only a gleam in the eye at this stage, Bright has a picture of LRT in the mid-1990s:

- financially self-sufficient;

- carrying significantly more traffic than today by virtue of higher standards of service and good marketing (eg the Capitalcard facility to combine the use of rail, bus and underground);

- with a well-informed, motivated workforce down from 64,000 in 1982 to perhaps 40,000, achieved very largely through natural wastage and retraining the younger staff threatened with redundancy.

We will watch with interest to see if this can be translated into reality. Would that BR could get on a similar track.

JOHN WYBREW

CONFIDENTIAL

HOME SECRETARY

QUEEN ANNE'S GATE LONDON SW1H 9AT

4th April 1985

Dear Nick,

NBPM
MCA 9/4

LONDON REGIONAL TRANSPORT LEVY: RATES 'STRIKE'

In your letter of 29 March to Patrick Jenkin, you invited me to consider whether my Department or the Receiver for the Metropolitan Police District should be associated with the proposed letter from your Department to Chief Executives of local authorities which have still not set rates for 1985/86 by the middle of this week, reminding them of your statutory powers to require interest to be paid on amounts due under the LRT levy which remain unpaid after the due date.

I quite understand the importance from your Department's standpoint of sending the letter you propose. But so far as the Home Office is concerned, even if all ten authorities referred to in your letter were to withhold payment of the precept levied on them by the Receiver (and the signs are that not all of them will), the total amount involved would be small in relation to total receipts to the Metropolitan Police Fund. There would be no immediate cash flow problem for the Metropolitan Police; indeed, the effect is unlikely to be felt for many months. In any event, however, responsibility for collecting the Metropolitan Police precept is placed by statute not on me, as police authority, but on the Receiver. He would not welcome personal association with the letter because of the possible implications for a number of policing initiatives on which the Metropolitan Police are seeking the co-operation of the boroughs. The Receiver is, of course, able to take the necessary action through the courts to recover any outstanding sums in due course. In the circumstances, therefore, I would prefer neither my name or the Receiver's to be associated with the letter.

I am copying this letter to the Prime Minister, to other members of MISC 109, and to Sir Robert Armstrong.

Yours,
Leon

CONFIDENTIAL

The Rt Hon Nicholas Ridley, M.P.

TRANSPORT : LRT

NAR B



CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

2 April 1985

Dear Secretary of State

Thank you for your letter of 29 March about the LRT levy.

I am content with your proposal to write at official level to the Chief Executives of those boroughs which have not yet rated, and have no comments on the draft letter. Subject to the Home Secretary's views, it would seem sensible to refer also to the Metropolitan Police precept.

As you say we will need to consider very carefully what further action, if any, to take if it appears that a loss of income to the Exchequer - albeit I assume a temporary one - may arise as a result of delayed payment of the levy. This would be against the background of the policy agreed by MISC 109 to stand back as far as it is possible from the action of the authorities concerned.

I am copying this letter to the recipients of yours.

Yours ever

for PATRICK JENKIN

Approved by the Secretary of State and signed in his absence.

The Rt Hon Nicholas Ridley MP

TRANSPORT: CRT

4/83

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

29 March 1985

Dear Secretary of State,

LONDON REGIONAL TRANSPORT LEVY: RATE 'STRIKE'

As you know, payment of the first instalment of the LRT Levy for 1985-86 is due from London rating authorities on 12 April. I have been considering how best to deal with those rating authorities in London which are postponing making a general rate for 1985-86 because of their dispute with the Government over rate limitation.

If all eight Boroughs affected by rate limitation defaulted, together with Newham and Tower Hamlets, which I understand are taking a similar stand, the income lost to the Exchequer would be some £4.5 million per monthly instalment - about one quarter of the total income from the levy. I understand that you are expecting most, if not all, of these authorities to fall into line and set a rate. However, in view of the difficulties which will arise if matters come to a head, I believe that we must do everything we can to encourage the Boroughs to fulfil their statutory duties of their own accord.

On 14 March you answered a Parliament Question from John Watson MP drawing attention to the implications of failing to set a rate. There is also the court action

currently being taken by a ratepayer in Hackney which may have a beneficial effect. However, since the first instalment of the LRT levy is now imminent (due on 12 April) I think it would be appropriate for a letter to go from my Department to the Chief Executives of any authorities which still have not set rates for 1985-86 by the middle of next week. The letter would draw attention to the statutory requirement to collect and pay the levy and would reinforce the point made in your Answer about the possibility of audit sanctions. It would not of course commit the Government to any course of action. If matters did come to a head, we would want to consider very carefully whether and if so, how we should get involved.

The first instalment of the Receiver of the Metropolitan Police's precept also falls due on 12 April. Leon Brittan may wish to consider whether his Department, or the Receiver's Office, should be associated with the letter.

I attach a draft letter for this purpose and I should be grateful for your agreement to what I propose, by midday next Tuesday 2 April to give time for the letter to be sent and received before Easter.

I am copying this letter to the Prime Minister and other members of MISC 109, as on the attached list, and to Sir Robert Armstrong.

Yours sincerely,

Richard Allen

(Private Secretary)

for NICHOLAS RIDLEY

(approved by the Secretary of State & signed in his absence).

MISC 109

Lord President of the Council

Home Secretary

Secretary of State for Education and Science

Secretary of State for Social Services

Lord Privy Seal

Chief Secretary

Attorney General

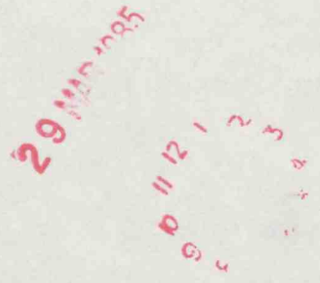
Minister for Local Government

DRAFT OFFICIAL LETTER TO CHIEF EXECUTIVES

1. I understand that your authority has not yet set a general rate for 1985-86.

2. As you know, the first instalment of the London Regional Transport levy, made under s13 of the London Regional Transport Act 1984, is due on 12 April, as specified in the demand letter sent by my Department to your Council on 14 February. Under the terms of the statute and by virtue of that demand, your Council is obliged to levy as part of the general rate for your rating area, the required rate of 10.80 pence in the pound, and to make payments as specified in the demand. YOu may wish to draw to your Council's attention to the provisions of s12 of the General Rate Act 1967, as applied by s14 of the LRT Act, concerning the Secretary of State's powers to require your authority to pay interest on amounts due under the levy which are not paid on or before the date specified.

3. I should be grateful if you would let me know as soon as possible of your Council's intentions regarding the collection and payment of the levy.



DIC
Press
Policy Unit
29.1.85

LONDON REGIONAL TRANSPORT: HIGH COURT JUDGEMENT

STATEMENT BY THE SECRETARY OF STATE FOR TRANSPORT

1. WITH PERMISSION, MR SPEAKER, I SHALL MAKE A STATEMENT ABOUT THE RECENT COURT JUDGEMENT CONCERNING THE PAYMENT OF GRANTS TO LONDON REGIONAL TRANSPORT BY THE GREATER LONDON COUNCIL.

2. THE GOVERNMENT TOOK OVER RESPONSIBILITY FOR LONDON REGIONAL TRANSPORT ON 29 JUNE 1984, PART WAY THROUGH THE PRESENT FINANCIAL YEAR. BEFORE WE TOOK OVER, THE GLC HAD BUDGETED AND PRECEPTED TO PAY GRANTS TO LONDON TRANSPORT FOR THE WHOLE OF 1984-85. PARLIAMENT THEREFORE GRANTED POWERS IN SECTION 49 OF THE LONDON REGIONAL TRANSPORT ACT FOR THE GLC TO BE DIRECTED TO CONTINUE PAYING GRANTS TO LRT UNTIL THE END OF MARCH 1985.

3. ACCORDINGLY I MADE A DIRECTION ON 29 JUNE 1984, ON THE FACTS KNOWN TO ME AT THAT TIME, REQUIRING THE GLC TO PAY A TOTAL OF £281.3 MILLION IN GRANTS TO LRT IN INSTALLMENTS UP TO THE END OF THIS FINANCIAL YEAR. THE MAIN FACTORS WHICH I HAD IN MIND IN DETERMINING THIS FIGURE INCLUDED THE GLC'S DECISIONS ABOUT REVENUE AND CAPITAL GRANTS TO LONDON TRANSPORT FOR 1984-85; LRT'S FINANCIAL NEEDS FOR THE REMAINDER OF THE YEAR, AS ASSESSED AT THAT TIME; AND THE GLC'S DECISION THAT LT SHOULD LEASE £27 MILLION OF ASSETS, WHICH IMPOSED FUTURE LIABILITIES ON LRT. THIS WAS IN ACCORDANCE WITH THE GOVERNMENT'S INTENTIONS, AS I MADE CLEAR DURING THE PASSAGE OF THE LEGISLATION.

4. THE HOUSE WILL BE AWARE THAT THE DIRECTION WAS SUBSEQUENTLY CHALLENGED BY THE GLC, AND HAS RECENTLY BEEN QUASHED BY THE HIGH COURT. IT IS CLEAR FROM THE JUDGEMENT THAT THE COURT TOOK A DIFFERENT VIEW OF THE WAY IN WHICH THE POWERS UNDER SECTION 49 OF THE LONDON REGIONAL TRANSPORT ACT SHOULD BE EXERCISED FROM THAT WHICH I TOLD PARLIAMENT THAT THE GOVERNMENT INTENDED IN TAKING THE POWERS IN THE FIRST PLACE.

5. THE EFFECT OF THE JUDGEMENT WOULD BE TO REDUCE THE MONEY AVAILABLE TO LRT BY OVER £50M AT A VERY LATE STAGE IN THE FINANCIAL YEAR. A CORRESPONDING AMOUNT WOULD ACCRUE TO THE GLC. THE GOVERNMENT REGARDS THIS AS CONTRARY TO THE INTERESTS OF RATEPAYERS AND LRT'S PASSENGERS.

6. AFTER STUDYING THE TERMS OF THE JUDGEMENT, I HAVE CONCLUDED THAT ANY NEW DIRECTION WHICH COULD BE MADE UNDER THE EXISTING LEGISLATION EITHER WOULD NOT ACCOMPLISH WHAT WAS ORIGINALLY INTENDED OR WOULD BE VULNERABLE TO FURTHER LEGAL CHALLENGE, THUS FAILING TO RESOLVE THE DAMAGING UNCERTAINTY WHICH NOW EXISTS OVER LRT'S FINANCIAL POSITION FOR 1984-85 AND BEYOND. NOR AM I CONFIDENT THAT AN APPEAL WOULD SATISFACTORILY RESOLVE THE PROBLEMS OVER THE INTERPRETATION OF SECTION 49 WHICH THE JUDGEMENT HAS BROUGHT TO LIGHT.

7. IN THE CIRCUMSTANCES THE GOVERNMENT CONSIDERS THAT THE MATTER CAN ONLY BE SETTLED BY THE AUTHORITY OF PARLIAMENT. I SHALL SHORTLY INTRODUCE NEW LEGISLATION TO ENABLE PARLIAMENT TO DETERMINE ONCE AND FOR ALL THE AMOUNT OF GRANT TO BE PAID TO LRT BY THE GLC IN 1984-85, AND THEREBY ENSURE THAT THE ORIGINAL PURPOSE OF SECTION 49 OF THE LONDON REGIONAL TRANSPORT ACT IS CARRIED OUT.

CONFIDENTIAL

Prime Minister (1)
I think the theme of "getting back to where we thought we were" bears repetition - hence my suggested redraft addition. AT 28/1

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Drafting changes also passed to D/T&P - AT 28/1.

Charles Marshall Esq
PS/Leader of the House of Commons
House of Commons
LONDON
SW1A 0AA

28 January 1985

I think para 5 of the statement would be better if it were less emotively drafted pm

Dear Charles

LRT: SECTION 49 CHALLENGE

Today's E(A) considered my Secretary of State's paper E(A)(85)4 (London Regional Transport: Options Following High Court Judgment on Section 49 Challenge). This paper was circulated not only to E(A) members, but, under cover of a letter of 24 January, to the Lord Privy Seal and members of L.

I understand E(A) agreed that, as my Secretary of State recommended, an urgent short Bill be introduced to recover a sum from the GLC in respect of LRT's needs for 1984/85; and that the decision to legislate should be announced immediately - in fact, tomorrow (Tuesday 29 January) - by means of an Oral Statement.

I attach a copy of a draft Statement. I would be grateful for confirmation that the Lord Privy Seal, in his capacity as Chairman of L, is content for Parliamentary Counsel to begin drafting; and I would be grateful for comments from yourself, Murdo MacLean in the Whips Office and Tim Flesher at No.10 (to whom this letter is copied) on the text of the Statement. I am also sending a copy to Richard Broadbent in the Chief Secretary's Office and to Alan Davis in the Secretary of State for the Environment's office; naturally their comments will be welcome too.

yours ever

Henry Derwent

H C S DERWENT
Private Secretary

CONFIDENTIAL

ANNEX D

LONDON REGIONAL TRANSPORT: LEGISLATION ON s49

DRAFT STATEMENT BY THE SECRETARY OF STATE

1. With permission, Mr Speaker, I shall make a statement about the recent Court judgement concerning the payment of grants to London Regional Transport by the Greater London Council.

2. The Government took over responsibility for London Regional Transport on 29 June 1984, part way through the present financial year. Before we took over, the GLC had budgeted and precepted to pay grants to London Transport for the whole of 1984-85. Parliament therefore granted powers in section 49 of the London Regional Transport Act for the GLC to be directed to continue paying grants to LRT until the end of March 1985.

3. Accordingly I made a direction on 29 June 1984, on the facts known to me at that time, requiring the GLC to pay a total of £281.3 million in grants to LRT in installments up to the end of this financial year. The main factors which I had in mind in determining this figure included the GLC's decisions about revenue and capital grants to London Transport for 1984-85; LRT's financial needs for the remainder of the year, as assessed at that time; the GLC's decision that LT should lease £27 million of assets, which imposed future liabilities on LRT. This was in accordance with the Government's intentions, as I made clear during the passage of the legislation.

4. The House will be aware that my direction was subsequently challenged by the GLC, and has recently been quashed by the High Court. It is clear from the judgement that the Court took a different view of the way in which the powers under section 49 of the London Regional Transport Act should be exercised from that which I told Parliament that the

Government intended in taking the powers in the first place.

5. The effect of the judgement would be to reduce the money available to LRT by over £50m at a very late stage in the financial year. ~~Additionally,~~ a corresponding cash windfall would accrue to the GLC. The Government regards this as unacceptable and contrary to the interests of ratepayers and LRT's passengers.

6. After studying the terms of the judgement, I have concluded that any new direction which could be made under the existing legislation either would not accomplish what was originally intended or would be vulnerable to further legal challenge, thus failing to resolve the damaging uncertainty which now exists over LRT's financial position for 1984-85 and beyond. Nor am I confident that an Appeal would satisfactorily resolve the problems over the interpretation of section 49 which the judgement has brought to light.

7. In the circumstances the Government considers that the matter can only be settled by the authority of Parliament. I shall shortly introduce new legislation to enable Parliament to determine once and for all the amount of grant to be paid to LRT by the GLC.

P.01481 CONFIDENTIAL

PRIME MINISTER

London Regional Transport:
Greater London Council (GLC) Challenge
(E(A)(85)4) ——— FLAG A.

BACKGROUND

The High Court have quashed a direction by the Secretary of State for Transport under Section 49 of the London Regional Transport (LRT) Act requiring the Greater London Council (GLC) to pay grants of £281 million to LRT up to the end of 1984-85. The GLC have agreed to leave the money already paid (about £177 million) with LRT for the present, but will not make further payments. LRT will encounter cash flow problems in about six weeks if no action is taken. Mr Ridley originally intended to appeal against the judgement, but the Law Officers have advised that such an appeal would probably fail. Interested Ministers have been considering whether to negotiate with the GLC or to legislate to effect the required cash transfer from the GLC to LRT. This has leaked to the press, and Mr Ridley is anxious to make an early statement of the Government's intentions to Parliament.

MAIN ISSUES

2. The main issues are:

i. how to secure LRT's finances;

ii. if it is decided to do so by introducing legislation, what the content of that legislation should be;

iii. if by negotiation, how to fund any shortfall in LRT finances;

iv. the implications for Government policies in other areas;

v. whether to make an interim direction to secure the payments already made by the GLC.

The options

3. Mr Ridley identifies three main options:

a. appeal against the High Court judgement;

b. negotiate with the GLC on a new S.49 direction;

c. legislation.

The Law Officers have advised against appealing.

4. The choice between the other two options is a very difficult one. Both have substantial disadvantages, as follows.

Disadvantages of negotiation

- the best deal we are likely to get is a payment of £205 million by the GLC, giving them a £60 million windfall in 1984-85 and leaving LRT £35 million short in 1985-86

- this makes a nonsense of the provisional rate limit imposed on the GLC which cannot now be tightened

- the LRT's shortfall can be made up only by financial help from the Government or large fare increases (14 per cent in June on top of 9 per cent this January) or cuts in investment (very difficult since it is mainly for cost reduction)

- there must be a serious danger that the GLC will exploit its strong negotiating position and secure a deal under which their windfall and the LRT's shortfall are even larger.

Disadvantages of legislation

- having been found by the courts to have tried to make the GLC pay too much, the Government will appear to be trying to reverse this decision

- it is very difficult (as the Annex to E(A)(85)4 shows) to establish a clear, intelligible and defensible figure which the GLC should pay

- it will be seen as another anti-local government and especially anti-GLC measure, and may place a further strain on back-bench support

- it will interfere with the legislative programme

  (The Lord Privy Seal has conceded that legislative time could be found but has warned that the Bill will be very controversial; Mr Ridley wants it to be introduced very quickly and to be drafted as a Money Bill to avoid delay in the Lords).

5. If the Sub-Committee concludes that the legislative option is the lesser of the two evils, urgent thought will need to be given to the presentation of the Government's case. The emphasis will have to be on a few simple points, eg that the GLC already has this money which was raised and set aside for LRT and that the legislation is necessary to avoid a totally unjustified fares increase.

Scope for legislation

6. If Ministers favour legislation naming a specific figure to be paid by the GLC, it will be important to be able to justify the figure. Mr Ridley argues that the guiding principle should be to relate the figure to the provision the GLC made in drawing up their revenue and capital budgets for London Transport (LT) for 1984-85. This would enable the Government to counter allegations of retrospection, arbitrariness and unfairness.

7. The detailed argumentation supporting Mr Ridley's view that a figure of £258.2 million emerges from following this principle is set out in the annex to his paper. The Chief Secretary, while unlikely to disagree with the principle, may well question some of the figures. (For example, the need to concede the £10.2 million which the GLC have, purely as a device, labelled as relating to 1984-85 rather than 1983-84). But it seems clear that such a principle would produce a figure of the general order of £250-60 million. On this basis, the Sub-Committee may be content to leave it to those Ministers most concerned - the Chief Secretary, Mr Ridley, Mr Biffen and Mr Jenkin - to agree the precise figure, so long as this can be done quickly.

8. £258.2 million would be enough to cover LRT's cash need for 1984-85 and enable them to live within their External Financing Limit (EFL) and grant for 1985-86. The Chief Secretary is likely to put in a reservation on the question of Exchequer funding for any knock-on effects in 1986-87 (which are not quantified in Mr Ridley's paper).

Interim direction (prior to legislation

9. Mr Ridley's arguments (paragraphs 8-9) against making an interim direction are based on Counsel's opinion that the GLC would have a good chance of mounting a successful challenge to such a direction, and the judgement that the GLC would prefer to be seen acting reasonably in the run-up to abolition, and would not therefore wish to throw LRT into chaos by reclaiming the money already paid. This may be over-optimistic. However, it does seem likely that, once legislation had been introduced, any attempt by the GLC to recover the £177 million already paid over could be stalled.

HANDLING

10. You will wish to ask the Secretary of State for Transport to introduce his paper. The Chief Secretary, Treasury will wish to comment on the public expenditure aspects and the Secretary of State for the Environment on the implications for local government policies more

generally. The Lord Privy Seal and the Deputy Chief Whip will advise on the business implications and the Solicitor General on the legal aspects.

CONCLUSIONS

11. You will wish to reach conclusions on the following issues:

i. whether the LRT's finances should be dealt with by negotiating a new direction with the GLC or by legislation;

ii. if the negotiation route is to be followed, how the shortfall in LRT's finances is to be dealt with;

iii. if there is to be legislation:

a. what its content should be;

b. when it should be introduced, and the Government's intentions made known;

iv. whether there should be an interim direction.

PLG

P L GREGSON

25 January 1985

cc MO

NBPM

AF 15/1

Prime Minister

GLC CHALLENGE TO DIRECTION UNDER SECTION 49 OF LONDON REGIONAL TRANSPORT ACT

In my minute of 9 January I said that judgement on this case was expected last Friday, 11 January. As you will have heard the case went against us.

I shall be writing separately to Michaël Havers on the prospects for success of an appeal. I shall put a paper to colleagues as soon as I have analysed the options in the light of a study of a full transcript of the judgement.

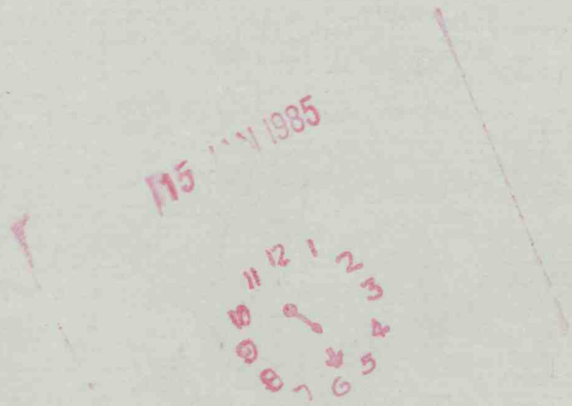
I have given notice to the Court of my intention to appeal. In the meantime I shall hold to the line that I have every intention of appealing as soon as I am in a position to do so; but it remains inappropriate for me to comment on the details of the case before I have seen and studied a full transcript of the judgement.

I am copying this to Cabinet colleagues and to Sir Robert Armstrong.

NICHOLAS RIDLEY

January 1985

Transport : London Regional Transport
11/83



DEPARTMENT OF TRANSPORT

PRIVATE SECRETARIES' OFFICE

AT
seen
& says original minute has gone to PM.

Private Secretaries

Mr Ridley's minute to the Prime Minister dated 9/1/85 & headed

'GLC Challenge to Direction Under S. 49 of London Regional Transport Act'

referred to our correspondence with Peter Rees in December.

A copy of that letter and attachments is below for your information.

PSO - DTp
14/1/85

(3)

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1P 3AG

7th December 1984

Mr Yass
cc PS/[illegible] Chalker
PS/Mr Lawrence
Mr Holmes
Mr Palmer
Mr Goldsmith
Mr Bellis
Mr Gale
Mr Boulton
Mr Smallwood
Mr Ramsay
Mr Hewett
Mr Wadsworth
PS/Fire

Dear Chief Secretary

LRT: GLC CHALLENGE AND RATEPAYER LEVY

As promised in my letter of 4 December I attach papers on these subjects for discussion on Monday.

I believe that we must continue to fight the case, but also prepare contingent legislation.

I also believe that there is no alternative to going forward with the ratepayer levy on the basis set out in the second paper, ie an Exchequer contribution of £111m out of the total grant of £323m, ie a ratepayer contribution of 65.6%.

We shall need to think about the financial consequences of losing part of the GLC's payments to LRT. I have already asked Dr Bright about the possibility of LRT absorbing the £10.2m loss of grant within their existing EFL for 1985-86. That will not be easy. As you know, the EFL itself represents a very substantial reduction in LRT's call on public funds compared with this year. Even allowing for the 9% fares

increase in January which has now been announced. LRT will have to make rapid progress in reducing costs, with the attendant risks of industrial disruption. Nevertheless I believe Dr Bright will be able to absorb the £10.2m over the next 12 months or so, provided things do not go wrong on other fronts. In the circumstances I think it right to ask him to do so.

Larger sums are of course now at risk. As well as the risk in relation to the s49 challenge there is a real threat of industrial disruption. The more we press LRT to bring forward cost savings, the greater this risk becomes. I believe that the £323m EFL, effectively abated by the £10.2m conceded to the GLC, is as much as Dr Bright can reasonably undertake to deliver. The January fares increase has been announced and I shall shortly have to announce the levy for 1985-86. Timing considerations effectively rule out any alteration of the levy at a later stage. As I see it therefore we face very severe constraints in adapting to any future deterioration in LRT's financial position and I cannot rule out the possibility of having to ask you to agree to a call on the contingency reserve.

I am copying this letter to Patrick Jenkin, John Biffen, Patrick Mayhew, and to Sir Robert Armstrong.

Yours sincerely

pp NICHOLAS RIDLEY

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

CONFIDENTIAL

LONDON REGIONAL TRANSPORT (LRT):
IMPLICATIONS OF GLC CHALLENGE TO SECTION 49 DIRECTION

1. This paper discusses the legal and financial issues arising from a GLC challenge to a direction under s49 of the LRT Act 1984 requiring them to continue to finance LRT for the rest of 1984-85.

Background

2. When the Government took control of LRT from the GLC on 29 June, because this was in the middle of a financial year, s49 of the LRT Act empowered the Secretary of State to issue a direction to the GLC requiring them to pay to LRT a sum not exceeding:

a. their planned revenue support (£190m), plus

b. £170m (representing the capital budget), less

c. the amount paid to LRT between the beginning of the financial year and 29 June.

The s49 direction was made on 29 June for £281.3m (190 + 170 - 78.7 already paid). Because of the need to take over as soon as possible after Royal Assent (26 June) and to maintain LRT's cash flow, the direction was made on 29 June without formal consultation with the GLC.

3. The GLC have challenged the direction on a number of grounds, of which the strongest was a disagreement about the amount already paid. LT told us that £10.2m paid in April was grant outstanding from 1983-84 and we did not credit the GLC with this. However, it turned out that the GLC had been careful to label the money as 1984-85 grant. We were advised that we would stand no chance of upholding the direction unless we conceded the point and asked the Courts to sever the direction to that

extent. Our defence is now proceeding accordingly. The £10.2m of 1983-84 grant remains unpaid and we are advised that because of the drafting of the Transport Act 1983, the money is not a legally recoverable debt. LRT have reluctantly agreed to accept the implied cut in their income and have adjusted their plans to suit.

4. The other grounds of challenge by the GLC also carry substantial financial risks:

a. LRT are currently forecasting a substantial cash surplus (after grant) of over £30m because of the fares increase, higher demand, and cost savings. GLC claim they should not be asked to fund this surplus - which has already been assumed in setting LRT's 1985-86 EFL;

b. LRT's capital expenditure in 1984-85 counts as the GLC's for control purposes. The pro rata cut imposed on the GLC Money Bill proposals reduced LRT's prescribed expenditure by £12.9m. The GLC claim their cash payments to LRT should be reduced by a similar amount;

c. the GLC insisted on LT leasing new buses as a way of circumventing the ceiling on their prescribed expenditure. The direction included £20.8m to set up a leasing reserve to fund this. The GLC claim this goes beyond the purpose of s49.

Timing

5. The Court hearing of the judicial review of the s49 direction is now in progress. GLC Counsel is taking the case slowly and it is unlikely that the hearing will be concluded before 14 December. We expect a reserved judgement in mid-January although Counsel has been instructed to urge for a speedy decision.

6. If we win, the GLC can be expected to appeal. The GLC will have four weeks to do so. If they gave notice immediately, it is just possible that a final decision in our favour could be reached before the end of the financial year. But there are serious risks:

i. the case might not be concluded before the end of the financial year; if we then lost there would be no power to make a new direction under s49;

ii. if we had judgement against us on appeal before the end of the financial year, the GLC might still contrive to mount a further challenge against any new direction.

If we lose at first instance, a new direction would have to be made following consultation with the GLC. Even so there would be a risk of further challenge.

Options

7. There are three possible options at this stage:

i. submit now and make a new direction;

ii. negotiate with the GLC;

iii. wait for judgement.

Option 1: Submit Now

8. Under this option, we would withdraw from the present action against us. The court would then uphold the GLC case and quash the present direction. We would then have to make a new direction without the benefit of any guidance from the Court on the GLC's various grounds of complaint. So we would not have a

safe basis for making a new direction: the GLC challenge was based on a number of factors, and even if we consulted them before making a new direction, it is unlikely that we could satisfy all their demands. If we submitted to judgement now, the GLC would have three months in which to seek a judicial review of any fresh direction, in which case, the hearing would not be until after the end of the financial year, with the consequences set out in option 3 a. below.

9. The financial consequences of submitting now are, at the very least:

i. we should have to forgo the surplus LRT are building up this year, on a cash basis this is likely to exceed £30m, but their accounts on an accruals basis are likely to show a considerably smaller surplus;

ii. we should have to accept that the £12.9m cut in the GLC Money Bill provision for LRT meant a similar reduction in the cash we could require the GLC to pay. This could only be avoided if we could indicate to the GLC that the Treasury would be willing to allow them to draw on "Part IV" provision (ie effectively anticipate some of next year's provision);

iii. we would have to forgo the leasing reserve of £20.8m. This would mean LRT facing unfunded additional leasing costs of £2m pa for 15 years starting in 1985-86.

10. These losses would deprive LRT of up to £50m in 1985/86. At the same time, the GLC would receive a windfall of about the same order. (The failure to secure a leasing reserve should not increase the GLC's windfall, as they claim not to have rated for it).

11. Submitting to judgement now would attract a great deal of publicity. The s49 direction was one of the first of many provisions for Ministerial discretion under abolition-related legislation. Its overthrow will be hailed as a major victory by the Government's opponents. And the PAC may well criticise the Accounting Officer for conceding such an increase in public expenditure and for accepting without a fight the GLC's litigation costs, when Counsel's current view is that there is an arguable case.

Option 2: Negotiate

12. A variant on submitting to judgement now would be to offer to negotiate with the GLC. This could be done at any time up to the delivery of judgement, but would be most easily achieved by Counsel sounding out his opposite number while the case is still running. The concessions which might be offered in negotiation are:

i. give up the leasing reserve: this would not directly affect public expenditure, but would leave LRT to meet £2m a year leasing charges out of revenue;

ii. offer the GLC an increase of £12.9m in their capital expenditure under Part IV of the Money Act: this would enable them to fund LRT's full capital budget this year without making offsetting reductions in their expenditure on other services. To that extent it would increase local authority overspending this year.

13. A deal on this basis would still allow a cash surplus to be carried forward to 1985-86 and so enable LRT to live within their existing EFL.

The main disadvantages are:

i. the GLC would see this as a weakening in our position;

ii. they would have little incentive to reach agreement (they appear to be relying on getting at least £47m from this case); and

iii. even if an approach was made by Counsel on a confidential basis, it would have to be reported to GLC elected members and would probably leak.

Option 3: Wait for Judgement

14. The possibilities are:

a. If we lose, we expect guidance from the Court on what could be safely included in any new s49 direction. It is unlikely that the judgement will go against us on all the potential grounds of challenge, and so the total cost to public expenditure should be less than conceding everything now. But there would still be a risk that the GLC would seek to challenge any further direction.

b. If we win, the GLC will almost certainly appeal. The timetable would then be as set out in paragraph 6 above. If we win on appeal, all well and good. If not, the GLC could sue LRT for all the money so far paid under s49 (up to £271m) and would be able to spend that in 1985-86. Conversely, LRT would be that much short, and so the total public expenditure effect will be up to £542m.

Legislation

15. The over-riding need is to ensure that LRT has sufficient funds for the remainder of this financial year and, if possible, to retain the surplus carried forward to 1985-86 assumed in its EFL. To be sure of achieving this we will need to have legislation ready on a contingent basis.

16. There are two options:

i. extend the direction making powers under s49 to allow new directions to be made in 1985-86;

ii. name a specific sum, up to the full £281.3m in the original direction before conceding the £10.2m.

17. Neither of these options is necessarily retrospective. The first simply extends the existing power to allow a valid direction to be made in circumstances which were not envisaged when the Act was passed. The advantage of this course is that it should be relatively uncontentious. The disadvantages are that it could allow litigation to drag on and would mean accepting the loss of whatever sums were held to be inadmissible on the basis of the existing powers at the conclusion of proceedings.

18. Option 2 would be framed to require the GLC to pay the specific sum less any monies paid under a valid direction under s49. If the existing direction were quashed after the end of the financial year, no monies would have been paid under a valid direction and the whole of the sum specified would fall due. If on the other hand any direction made under s49 were upheld in whole or in part, any monies payable under it would be deducted from the specified sum. In this way retrospection would be avoided and the court proceedings would not be interfered with. But it would be much more controversial since it would deprive the GLC of any benefit they might derive from litigation.

Conclusions

19. i. there would be every disadvantage in submitting to judgement now;

ii. we should proceed with the case;

iii. drafting of contingency legislation on the basis of either option i. or ii. above should be set in hand.

LRT: RATEPAYERS' LEVY

Background

1. Under section 13 of the LRT Act the Secretary of State is empowered to make a levy on ratepayers in London of up to two-thirds of the grants he makes to LRT; the balance of the funding is to come from the Exchequer. The proportion of the grant to be recovered in this way is to be set out in an annual Order, subject to affirmative resolution.

2. LRT have been set an External Finance Limit for 1985-86 of £323m, all of which is to be met by grant. The maximum amount available from the Exchequer is £111m, made up as follows:

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On this basis the ratepayer contribution would be £212m (65.6%).

2. The alternative would be to take the full 2/3 from the ratepayer, giving a ratepayer/Exchequer split of £215m/£108m. This option has the merit of simplicity, but it is necessary to show that the Secretary of State has exercised his discretion reasonably. This would be easier if it did not appear that he had simply chosen the maximum allowed by the Act.

3. Further, subject to the outcome of the GLC challenge, LRT expect to make a substantial surplus this year, to be carried forward into 1985-86. The GLC point out that this is money raised from ratepayers and that they should therefore get full

credit for it if there is any carry-over into 1985-86. Providing the maximum available Exchequer contribution means that the ratepayer contribution has, by definition, been kept to the minimum.

Legal Advice

4. The Law Officers advise that either option could be legally defended with a reasonable chance of success, but that the Exchequer contribution of £111m would be marginally safer in that it reduces the chance of a successful challenge based on the failure to give the ratepayer credit for any surplus, and that it also avoids the charge that the Secretary of State has failed to exercise his discretion by simply selecting the maximum contribution permitted in the Act.

Relationship with s49 Challenge

5. In the absence of a s49 challenge, the choice would be a straight one between the 1/3 : 2/3 option and the 65.6% option. But it is necessary to consider whether the levy order provides an opportunity for recouping some of the grant lost to the GLC in the event of our losing the s49 case.

6. The principal issue is one of timing. Should Ministers bring forward a levy order now, on present assumptions about financing for 1985-86 or should they await the outcome of the s49 case? The overriding constraint is that we must have an order approved by Parliament in time to send the levy demand to rating authorities in mid-February (statutorily this could be left until early March, but that risks strong criticism from the rating authorities and the likelihood of their non-co-operation in collecting the levy). Aiming for mid-February means a debate at the latest in early February. Before that, the order needs to be approved by SCSI, and it is essential to allow two weeks for this in case the Committee has points to raise. Assuming that the

debate could be arranged in the week immediately after SCSI approval, the latest time for laying the Order is 15 January.

7. But it is most unlikely that we shall have a judgement in the s49 case before 12 January and that hardly gives us time to consider the judgement's implications, let alone consult the GLC, as we would have to do, on any new s49 direction.

8. There is really no alternative, therefore, to laying the order before Christmas, on the basis of present financing assumptions. If the order is then at variance with the effect of the outcome of the case (ie LRT lose money as a result of the judgement), it will then be for consideration how to recoup the situation in 1985-86.

Conclusions

9. (a) the levy should be on the basis of an Exchequer contribution of £111m and an EFL of £323m;

(b) the levy order should be laid before Christmas;

(c) the order should not anticipate the outcome of the s49 case;

(d) if the s49 case goes against the Government, further consideration will have to be given to the methods of bridging the resulting loss.

TRANSPORT:

London Regional Transport.

Nov 1983.

14 JAN 1985

File

(2)

PRIME MINISTER

GLC CHALLENGE TO DIRECTION UNDER S.49 OF LONDON REGIONAL TRANSPORT ACT

In the High Court today, the GLC successfully challenged the direction by the Secretary of State for Transport to transfer £280 million to the Department of Transport. John Wybrew's note attached sets out the history of the case.

Mr. Ridley is appealing against the judgement (though given the terms in which the High Court Judge gave his ruling the position does not look too promising) and the matter is therefore sub judice. In the meantime contingency plans are going ahead to prepare legislation either:

(i) to extend the direction making powers under S49 to allow new directions to be made in 1985-86; or

(ii) to name a specific sum up to the full $281.3 million which the GLC should pay towards the running cost of LRT.

These options are discussed more fully on page 7 of the DOT paper.

This is an embarrasing development which may encourage legal challenges by the GLC and MCCs in their resistance to abolition. It is not yet clear, however, whether the Government will lose money; this depends on the outcome of the appeal and the nature of the further legislation.

Mr. Ridley has promised a fuller report on the implications of this case.

AT

11 January 1985

VC3ABF

NI2788 4 XXX 244

RIDLEY EXCEEDED POWERS, JUDGE

A DEMAND FROM THE DEPARTMENT OF TRANSPORT FOR MORE THAN £281 MILLION FROM THE GLC TOWARDS THE COST OF RUNNING LONDON'S PUBLIC TRANSPORT WAS ''UNLAWFUL, IRRATIONAL AND PROCEDURALLY IMPROPER,'' A HIGH COURT JUDGE RULED TODAY.

THE GLC HAD COMPLAINED TO THE COURT THAT THE DEMAND WAS UNLAWFUL BECAUSE IT WAS TOO LARGE AND WOULD HAVE MEANT CUTS IN OTHER VITAL SERVICES, SUCH AS HOUSING.

MR JUSTICE MCNEILL AGREED WITH THE GLC THAT TRANSPORT SECRETARY NICHOLAS RIDLEY HAD EXCEEDED THE STATUTORY POWER GIVEN TO HIM UNDER THE 1984 LONDON REGIONAL TRANSPORT ACT.

THE ACT WRESTED CONTROL OF LONDON'S TUBES AND BUSES OUT OF THE HANDS OF THE GLC AND PASSED IT TO LONDON REGIONAL TRANSPORT, SET-UP BY THE GOVERNMENT UNDER THE NEW LEGISLATION.

THE JUDGE SAID MR RIDLEY AGREED HE HAD WRONGFULLY ASKED FOR £10,200,000 TOO MUCH IN DEMANDING THAT THE GLC PAY £281,300,000 BETWEEN LAST JULY AND NEXT APRIL.

MR RIDLEY, WHILE AGREEING THAT HE HAD ASKED FOR TOO MUCH, ARGUED THAT THAT DID NOT MEAN THE WHOLE DEMAND HAD TO BE SCRAPPED AND DECLARED UNLAWFUL. HE CONTENDED THAT THE AMOUNT OF THE DEMAND COULD SIMPLY BE CHANGED.

THE JUDGE QUASHED THE MINISTER'S DIRECTION MAKING THE DEMAND.

THE GLC IS NOW CONSIDERING ITS POSITION OVER THE FUTURE PAYMENT OF ITS INSTALMENTS TO LRT AND ANY REPAYMENT DUE.

THE DEPARTMENT OF TRANSPORT - WHICH WAS ORDERED TO PAY THE COSTS OF THE HIGH COURT HEARING - IS CONSIDERING AN APPEAL.

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111755 JAN 85

NI2788 4 XXX 244

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111755 JAN 85

CC NB

PRIME MINISTER

GLC CHALLENGE TO DIRECTION UNDER SECTION 49 OF LONDON REGIONAL TRANSPORT ACT

As you will know from my correspondence with Peter Rees in December, we face a potentially awkward situation following the GLC's legal challenge of a direction made last June under s49 of the London Regional Transport Act. The direction required the GLC to pay continuing subsidy to LRT for the rest of this financial year. The case was heard in the High Court last month.

The purpose of this minute is simply to warn you and Cabinet colleagues that judgement on the case is expected on Friday, 11 January. It is quite possible that judgement will go against the Government. Possible consequences of this, and ways of dealing with them were set out in the paper attached to my letter to Peter Rees of 7 December.

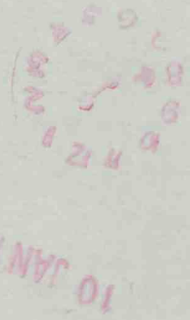
If the case does go against us I intend immediately to seek leave to appeal. This will avoid the need for an early public statement. Meanwhile I shall be urgently studying the implications of the judgement and will consult you and other members of E(A) as soon as possible on the action I propose.

I am sending copies of this minute to Cabinet colleagues, to Michael Havers and Patrick Mayhew, and to Sir Robert Armstrong.

NICHOLAS RIDLEY

9 January 1985

TRANSPORT: London Regional Transport: No 83.



File

MR TURNBULL

11 December 1984

LONDON REGIONAL TRANSPORT - CHALLENGE TO S49 DIRECTION

This sorry tale is a case lesson in the problems which a well-intentioned Government trying to act reasonably can encounter in dealing with resolute, obstructive opposition.

Briefly, the sequence of the events has been as follows:

1. Anticipating the transfer of London Regional Transport (LRT) from the GLC to Central Government in the course of the current financial year, provision was made in the London Regional Transport Act for the Secretary of State to direct that the outstanding capital and operating budgets for LRT should be transferred from GLC to DoT.

It would have been possible to prescribe in the Act the specific sums to be transferred, but administratively it was considered sensible to give the Secretary of State discretion to make the Direction in the light of the circumstances prevailing at the time of the transfer.

2. Around the end of June 1984, when the transfer of LRT from the GLC to Central Government took place, GLC and the GLC-appointed members of the LRT Board were being so bloody-minded that DoT could see no merit in consulting the GLC over the implementation of the new Act. (The Act does not specifically require them to consult the GLC.) Thus, in framing the Section 49 Direction transferring

LRT's remaining 1984/5 budgets to Central Government, DoT dealt almost entirely with LRT.

3. In round terms, LRT had been planning on:

- a 1984/5 operating budget of £190 million;

- a 1984/5 capital budget of £170 million; and

- a carry-over of £10 million from 1983/4.

Up to the end of June 1984, when LRT was transferred, they had called some £79 million from the GLC. The S49 Direction envisaged further calls of £281 million over the remainder of 1984/5.

4. GLC challenged the validity of the S49 Direction, arguing that they had not been consulted on the Direction, that the carry-over item of £10 million in respect of 1983/4 was invalid, that LRT's improved cash generation prospects (+ £30 million) had not been allowed for, and that £34 million of the capital budget transfer was also invalid.

5. GLC's challenge is being heard in the High Court. The outcome (probably around mid-January 1985) is very uncertain, although DOT accept that the £10 million carry-over item is definitely invalid. There is no doubt that the legal issues are complex, affording the GLC

ample scope to appeal and keep the legal wrangling going until the Secretary of State's right to make an S49 Direction expires at the end of March 1985.

DoT's chances of a satisfactory outcome are slim. A number of unsatisfactory outcomes can be envisaged, eg:

- DOT are upheld, GLC appeal and win. (Call on 1985/6 public expenditure up by £280 million which DoT had been expecting under the Direction, plus £280 million windfall to GLC which they will spend - badly.)

- DoT lose and issue a new Direction which GLC dispute until the Secretary of State's power expires (as above).

- DoT lose, issue new Direction and accede sufficiently to GLC's objections to get it implemented. (LRT lose upwards of £45 million, much of which would fall as a claim on 1985/6 public expenditure.)

There is a good chance that the only way out of this box will be a one-clause piece of legislation, either extending the duration of the Secretary of State's power to make the S49 Direction, or prescribing a specific sum to be transferred. What would make that unpalatable is its likely coincidence with the height of the abolition debate.

JOHN WYBREW

(3)

Note
Sent to No 10 on 10/1

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1P 3AG

7th December 1984

Mr Yass
cc PS/Mrs Chalker
PS/Mr Lazarus
Mr Holmes
Mr Palmer
Mr Goldman
Mr Bellis
Mr Gale
Mr Noulton
Mr Smethurst
Mrs Ramsay
Mr Hewett
Mr Wadsworth
PSO/File

Dear Chief Secretary

LRT: GLC CHALLENGE AND RATEPAYER LEVY

As promised in my letter of 4 December I attach papers on these subjects for discussion on Monday.

I believe that we must continue to fight the case, but also prepare contingent legislation.

I also believe that there is no alternative to going forward with the ratepayer levy on the basis set out in the second paper, ie an Exchequer contribution of £111m out of the total grant of £323m, ie a ratepayer contribution of 65.6%.

We shall need to think about the financial consequences of losing part of the GLC's payments to LRT. I have already asked Dr Bright about the possibility of LRT absorbing the £10.2m loss of grant within their existing EFL for 1985-86. That will not be easy. As you know, the EFL itself represents a very substantial reduction in LRT's call on public funds compared with this year. Even allowing for the 9% fares

increase in January which has now been announced. LRT will have to make rapid progress in reducing costs, with the attendant risks of industrial disruption. Nevertheless I believe Dr Bright will be able to absorb the £10.2m over the next 12 months or so, provided things do not go wrong on other fronts. In the circumstances I think it right to ask him to do so.

Larger sums are of course now at risk. As well as the risk in relation to the s49 challenge there is a real threat of industrial disruption. The more we press LRT to bring forward cost savings, the greater this risk becomes. I believe that the £323m EFL, effectively abated by the £10.2m conceded to the GLC, is as much as Dr Bright can reasonably undertake to deliver. The January fares increase has been announced and I shall shortly have to announce the levy for 1985-86. Timing considerations effectively rule out any alteration of the levy at a later stage. As I see it therefore we face very severe constraints in adapting to any future deterioration in LRT's financial position and I cannot rule out the possibility of having to ask you to agree to a call on the contingency reserve.

I am copying this letter to Patrick Jenkin, John Biffen, Patrick Mayhew, and to Sir Robert Armstrong.

Yours sincerely

pp NICHOLAS RIDLEY

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

LONDON REGIONAL TRANSPORT (LRT):
IMPLICATIONS OF GLC CHALLENGE TO SECTION 49 DIRECTION

1. This paper discusses the legal and financial issues arising from a GLC challenge to a direction under s49 of the LRT Act 1984 requiring them to continue to finance LRT for the rest of 1984-85.

Background

2. When the Government took control of LRT from the GLC on 29 June, because this was in the middle of a financial year, s49 of the LRT Act empowered the Secretary of State to issue a direction to the GLC requiring them to pay to LRT a sum not exceeding:

a. their planned revenue support (£190m), plus

b. £170m (representing the capital budget), less

c. the amount paid to LRT between the beginning of the financial year and 29 June.

The s49 direction was made on 29 June for £281.3m (190 + 170 - 78.7 already paid). Because of the need to take over as soon as possible after Royal Assent (26 June) and to maintain LRT's cash flow, the direction was made on 29 June without formal consultation with the GLC.

3. The GLC have challenged the direction on a number of grounds, of which the strongest was a disagreement about the amount already paid. LT told us that £10.2m paid in April was grant outstanding from 1983-84 and we did not credit the GLC with this. However, it turned out that the GLC had been careful to label the money as 1984-85 grant. We were advised that we would stand no chance of upholding the direction unless we conceded the point and asked the Courts to sever the direction to that

extent. Our defence is now proceeding accordingly. The £10.2m of 1983-84 grant remains unpaid and we are advised that because of the drafting of the Transport Act 1983, the money is not a legally recoverable debt. LRT have reluctantly agreed to accept the implied cut in their income and have adjusted their plans to suit.

4. The other grounds of challenge by the GLC also carry substantial financial risks:

a. LRT are currently forecasting a substantial cash surplus (after grant) of over £30m because of the fares increase, higher demand, and cost savings. GLC claim they should not be asked to fund this surplus - which has already been assumed in setting LRT's 1985-86 EFL;

b. LRT's capital expenditure in 1984-85 counts as the GLC's for control purposes. The pro rata cut imposed on the GLC Money Bill proposals reduced LRT's prescribed expenditure by £12.9m. The GLC claim their cash payments to LRT should be reduced by a similar amount;

c. the GLC insisted on LT leasing new buses as a way of circumventing the ceiling on their prescribed expenditure. The direction included £20.8m to set up a leasing reserve to fund this. The GLC claim this goes beyond the purpose of s49.

Timing

5. The Court hearing of the judicial review of the s49 direction is now in progress. GLC Counsel is taking the case slowly and it is unlikely that the hearing will be concluded before 14 December. We expect a reserved judgement in mid-January although Counsel has been instructed to urge for a speedy decision.

6. If we win, the GLC can be expected to appeal. The GLC will have four weeks to do so. If they gave notice immediately, it is just possible that a final decision in our favour could be reached before the end of the financial year. But there are serious risks:

i. the case might not be concluded before the end of the financial year; if we then lost there would be no power to make a new direction under s49;

ii. if we had judgement against us on appeal before the end of the financial year, the GLC might still contrive to mount a further challenge against any new direction.

If we lose at first instance, a new direction would have to be made following consultation with the GLC. Even so there would be a risk of further challenge.

Options

7. There are three possible options at this stage:

i. submit now and make a new direction;

ii. negotiate with the GLC;

iii. wait for judgement.

Option 1: Submit Now

8. Under this option, we would withdraw from the present action against us. The court would then uphold the GLC case and quash the present direction. We would then have to make a new direction without the benefit of any guidance from the Court on the GLC's various grounds of complaint. So we would not have a

safe basis for making a new direction: the GLC challenge was based on a number of factors, and even if we consulted them before making a new direction, it is unlikely that we could satisfy all their demands. If we submitted to judgement now, the GLC would have three months in which to seek a judicial review of any fresh direction, in which case, the hearing would not be until after the end of the financial year, with the consequences set out in option 3 a. below.

9. The financial consequences of submitting now are, at the very least:

i. we should have to forgo the surplus LRT are building up this year, on a cash basis this is likely to exceed £30m, but their accounts on an accruals basis are likely to show a considerably smaller surplus;

ii. we should have to accept that the £12.9m cut in the GLC Money Bill provision for LRT meant a similar reduction in the cash we could require the GLC to pay. This could only be avoided if we could indicate to the GLC that the Treasury would be willing to allow them to draw on "Part IV" provision (ie effectively anticipate some of next year's provision);

iii. we would have to forgo the leasing reserve of £20.8m. This would mean LRT facing unfunded additional leasing costs of £2m pa for 15 years starting in 1985-86.

10. These losses would deprive LRT of up to £50m in 1985/86. At the same time, the GLC would receive a windfall of about the same order. (The failure to secure a leasing reserve should not increase the GLC's windfall, as they claim not to have rated for it).

11. Submitting to judgement now would attract a great deal of publicity. The s49 direction was one of the first of many provisions for Ministerial discretion under abolition-related legislation. Its overthrow will be hailed as a major victory by the Government's opponents. And the PAC may well criticise the Accounting Officer for conceding such an increase in public expenditure and for accepting without a fight the GLC's litigation costs, when Counsel's current view is that there is an arguable case.

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12. A variant on submitting to judgement now would be to offer to negotiate with the GLC. This could be done at any time up to the delivery of judgement, but would be most easily achieved by Counsel sounding out his opposite number while the case is still running. The concessions which might be offered in negotiation are:

i. give up the leasing reserve: this would not directly affect public expenditure, but would leave LRT to meet £2m a year leasing charges out of revenue;

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13. A deal on this basis would still allow a cash surplus to be carried forward to 1985-86 and so enable LRT to live within their existing EFL.

The main disadvantages are:

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On this basis the ratepayer contribution would be £212m (65.6%).

2. The alternative would be to take the full 2/3 from the ratepayer, giving a ratepayer/Exchequer split of £215m/£108m. This option has the merit of simplicity, but it is necessary to show that the Secretary of State has exercised his discretion reasonably. This would be easier if it did not appear that he had simply chosen the maximum allowed by the Act.

3. Further, subject to the outcome of the GLC challenge, LRT expect to make a substantial surplus this year, to be carried forward into 1985-86. The GLC point out that this is money raised from ratepayers and that they should therefore get full

credit for it if there is any carry-over into 1985-86. Providing the maximum available Exchequer contribution means that the ratepayer contribution has, by definition, been kept to the minimum.

Legal Advice

4. The Law Officers advise that either option could be legally defended with a reasonable chance of success, but that the Exchequer contribution of £111m would be marginally safer in that it reduces the chance of a successful challenge based on the failure to give the ratepayer credit for any surplus, and that it also avoids the charge that the Secretary of State has failed to exercise his discretion by simply selecting the maximum contribution permitted in the Act.

Relationship with s49 Challenge

5. In the absence of a s49 challenge, the choice would be a straight one between the 1/3 : 2/3 option and the 65.6% option. But it is necessary to consider whether the levy order provides an opportunity for recouping some of the grant lost to the GLC in the event of our losing the s49 case.

6. The principal issue is one of timing. Should Ministers bring forward a levy order now, on present assumptions about financing for 1985-86 or should they await the outcome of the s49 case? The overriding constraint is that we must have an order approved by Parliament in time to send the levy demand to rating authorities in mid-February (statutorily this could be left until early March, but that risks strong criticism from the rating authorities and the likelihood of their non-co-operation in collecting the levy). Aiming for mid-February means a debate at the latest in early February. Before that, the order needs to be approved by SCSI, and it is essential to allow two weeks for this in case the Committee has points to raise. Assuming that the

debate could be arranged in the week immediately after SCSI approval, the latest time for laying the Order is 15 January.

7. But it is most unlikely that we shall have a judgement in the s49 case before 12 January and that hardly gives us time to consider the judgement's implications, let alone consult the GLC, as we would have to do, on any new s49 direction.

8. There is really no alternative, therefore, to laying the order before Christmas, on the basis of present financing assumptions. If the order is then at variance with the effect of the outcome of the case (ie LRT lose money as a result of the judgement), it will then be for consideration how to recoup the situation in 1985-86.

Conclusions

9. (a) the levy should be on the basis of an Exchequer contribution of £111m and an EFL of £323m;

(b) the levy order should be laid before Christmas;

(c) the order should not anticipate the outcome of the s49 case;

(d) if the s49 case goes against the Government, further consideration will have to be given to the methods of bridging the resulting loss.

CONFIDENTIAL NSXM AT 5/12

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON
SW1P 3AG

5th December 1984

Dear Chief Secretary,

LONDON REGIONAL TRANSPORT
GLC CHALLENGE TO S49 DIRECTION

Thank you for your letter of 4 December.

As I mentioned in my letter of 12 November, we are advised that we have a good chance of upholding the validity of the main part of the direction. The GLC have still not finished the presentation of their case and we do not yet have any further assessment by Counsel of the chances of success.

Whatever the chances of success, however, your suggestion that we should withdraw and make a fresh direction does not help. Without a judgment on the GLC's grounds of challenge we will not be in a position to make a new direction which is safe from further challenge. I also think it would be quite wrong both politically and financially to reduce the amount which the GLC are required to pay without waiting for judgment.

I understand your worries about an appeal dragging on beyond the end of the financial year if we win. But I do not think that legislation is necessarily as unattractive as you suggest. We would need to look at the options carefully, but for example one course would be to amend section 49 to remove the cut-off date, so that if we were to lose an appeal after the end of the year it would still be possible to make a new direction. That would not be retrospective nor, I would think, politically difficult.

I am also about to put to you my proposal for the ratepayer levy under section 13 of the LRT Act, so that I can lay an order next week. This needs to be considered alongside our handling of the GLC challenge. I therefore suggest that we should discuss this early next week with colleagues most closely concerned - Patrick Jenkin, John Biffen and the Law Officers. I shall be circulating a note on the available options.

I am copying this letter to E(A) members, Patrick Jenkin, John Biffen, and to the Law Officers and Sir Robert Armstrong.

Yours sincerely

Nicholas Straight

pp NICHOLAS RIDLEY

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

010/110

CONFIDENTIAL

NBPM CCND

AT 7/12

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Nicholas Ridley AMICE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

4 December 1984

Dear Secretary of State

LONDON REGIONAL TRANSPORT:
GLC CHALLENGE TO S.49 DIRECTION

I wrote to you on 6 November asking for your urgent views on the options for dealing with the legal challenge by the GLC to your S.49 Direction. I understand that since then officials have discovered that the public expenditure effects of an adverse outcome may be very much worse than previously realized. For if you win this week's hearing, the case seems almost certain to go to appeal in January or February; and if the appeal process is not concluded before the end of the financial year, then you will no longer have powers to make a valid Direction.

From the public expenditure point of view, the adverse effects if the GLC ultimately win their case could then be as high as £540 million. This of itself would be unacceptable; but the only way of then averting this damage to control of public spending would be retrospective legislation. Even if we announced in advance our intention to legislate, we would have to lay proposals before Parliament at the height of the abolition debate. Frankly, I would find this almost as unattractive an outcome.

In the circumstances, I do not believe that we can maintain any longer the view that the financing issues are contingent upon the outcome of the case; and I think that you will now need to put urgently to colleagues the options open to us.

It seems clear that our judgements must depend heavily on your legal advice, which I understand to be that you have a modest chance of winning in the High Court. But I wonder if this is not in fact the worst outcome from the wider point of view, since

CONFIDENTIAL

a win would almost certainly open the door to a process of appeal by the GLC? Are your legal advisers confident that you can win right down the line? If they are not, then paradoxically the better outcome might be to lose in the High Court, which should at least allow you to make a fresh Direction this year without additional legislative powers. You would of course need to be sure that a fresh Direction was beyond reasonable challenge.

Alternatively, if legal advisers still think that you have a defensible but not impregnable position, should we not consider urgently whether the better course might not be to withdraw the current direction or to submit to judgement in whatever way remains open to us? I understand that this could result in the loss of £45 million to LRT, much of which would fall as a claim on next year's financing. So clearly that option would involve us in discussing how much of the gap can be bridged by LRT's internal resources.

In order not to foreclose this option, I think that colleagues on E(A) should have an opportunity to consider the matter this week. I would therefore be glad of your very early reactions.

I am copying this letter to E(A) members and to Sir Michael Havers.

Yours sincerely

for PETER REES

[Approved by the Chief Secretary]

-5 DEC 1984



NBPM AT 21/11

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 XXX3434

My ref:

Your ref:

21/11

PPS

The Rt Hon Mrs Margaret Thatcher MP
House of Commons
London
SW1A OAA

Dear Prime Minister

I wrote to you on 31 July enclosing a personal copy of the paper we sent to Borough Councils, firming up our proposals for reallocating London's transport responsibilities following abolition of the GLC.

We have considered the points raised in response to this paper, and I enclose a copy of a Parliamentary Question in which Nicholas Ridley sets out our conclusions.

Those Boroughs who responded were generally content with our proposals and have made some constructive suggestions on detailed aspects. These have helped to bring our thinking into sharper focus. The majority of Boroughs are assisting us in developing practical and effective arrangements, and we look forward to continuing to work closely with them over the coming months. This will help us to ensure that the transition to a single tier of local government in London takes place as smoothly as possible.

Nicholas Ridley and I have also announced the launching of 4 assessment studies of corridors in London with the worst traffic problems and the most damaging environmental consequences. The studies were foreshadowed in the July paper, and you may be interested to have the attached press notices giving fuller details.

Yours ever

Lynda

MRS LYNDA CHALKER

Department of Transport

Press Notice 533 20 November 1984

LONDON ROADS & TRAFFIC CONSULTATION DECISION

In answer to a Parliamentary Question from Sydney Chapman MP (Chipping Barnet), about what conclusions he has reached in the light of responses to his July consultation document about road and traffic responsibilities in London, Nicholas Ridley, Secretary of State for Transport said:

"Boroughs generally have welcomed my proposals which will transfer to them the main responsibility for London's roads and traffic, while ensuring consistent policy in terms of traffic movement throughout London as a whole. The consultation process has confirmed the details of the proposed key network of roads to become the responsibility of my Department. It has also confirmed with one or two minor additions the wider strategic network of borough roads where traffic management measures will be considered on a wider basis than the individual boroughs concerned.

"Useful progress has been made in discussions with Boroughs about the various executive functions identified in the consultation document. The objective of the arrangement is to ensure that there is adequate data provision for Boroughs to carry out their functions, that the urban traffic control system will be maintained and developed, and that a coherent approach is maintained to road safety. The discussions to work out the practical details for a smooth transition to the new arrangements will continue."

Press Enquiries: 01-212 0431

Public Enquiries: 01-212 3434
ask for Public Enquiry Unit

STRATEGIC LONDON NETWORK AND LINKS WITH M25

November 1984

GLC BOUNDARY

M25 AND MAIN ROUTES (outside Greater London)

KEY ROUTES

OTHER STRATEGIC ROADS (within Greater London)

Kilometres 0 1 2 3 4 5 6 7 8 9 10 11 12

Miles 0 1 2 3 4 5 6 7 8

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Department of Transport RTHQ, CROWTHORNE 556

Department of Transport

Press Notice 525 20 November 1984

TACKLING LONDON'S ROAD PROBLEMS

Nicholas Ridley, Secretary of State for Transport, today announced four studies of the problems in some of London's main traffic corridors. They will cover the western end of the South Circular Road together with the possibility of a relief road to replace the Earls Court one-way system, the main orbital section of the South Circular between the A3 east of Wandsworth and Woolwich, the area between the A1 in Islington and the A102 in Hackney and Tower Hamlets, and the corridor through London to the south.

Mr Ridley said:

"Action to tackle unpleasant conditions on London's overcrowded roads is long overdue. The M25 will relieve London of unnecessary through traffic. But the needs of seven million people who live in London, the industry and commerce that provides its jobs, the shops and other facilities that serve it must also be met. Failure to do so will mean a flight of jobs, people and prosperity from our capital.

"At present, congestion is endemic during long periods of each day. Delays are the norm in many parts. Vehicles seeking to avoid traffic jams, divert along quite unsuitable residential roads. The whole environment is under strain and nobody benefits.

"Ignoring the problems will not make them go away. Living conditions and the standard of life in London would only worsen. That is why I have asked for exploratory assessment studies of four of the areas where the problems are greatest. In this way we shall achieve a clearer picture of where the worst difficulties lie and the possible ways of tackling them on a comprehensive basis as part of a new purposeful approach to improving London's infrastructure It is my aim to improve the quality of life for all who live and work in London.

"It will be particularly important that the search for solutions take account of the historic nature of many of the areas concerned. It is also vital that the suggested solutions take account of the present problems and worries of people who live there. These will be fundamental considerations in the approach adopted by the consultants I have appointed. In selecting consultants, I have had particular regard not only to planning and traffic expertise but also to the need for environmental improvements.

"The basic objectives for our studies are:

- to identify the precise nature of the problems of the corridors;

- to identify a range of possible options for improving the areas as a whole by dealing more effectively with the flow of essential road traffic, particularly necessary commercial and industrial traffic, through the corridors, reducing the environmental effects of traffic on residents and meeting the needs of cyclists and pedestrians; and

- to assess the merits of these options having regard to the Government's general transport policies including those for public transport and policies for roads and traffic in London, the Department's continuing concern to secure value for money in its spending on road improvement schemes, and the sensitivity of the environment and the social fabric of the areas concerned.

"The first stage will be to examine closely the present problems and the second to identify alternative solutions and evaluate them, taking account of the advice I am seeking on assessment methods from the Standing Advisory Committee on Trunk Road Assessment (SACTRA). I hope the first stage will be completed by the middle of next year and I shall publish the reports I receive. This will enable people to express their views before we proceed further.

"Just what the solutions will be will depend on this assessment. They are likely to range from better management of traffic and local improvements at dangerous and congested junctions, to improvements in some existing roads and possible new provisions perhaps making better use of disused railway lines and other opportunities. All the solutions considered will have to be conceived with great care and sensitivity for local communities. My

aim will be to enable public transport to move more freely, to foster the cheap and effective movement of goods to and from London's shops, offices and factories, to enable Londoners to use and enjoy their cars. It also will enable pedestrians and cyclists as well as other road users to move more safely and freely, to protect the environment and to preserve the historic features of London as a great city. All this means striking a balance. I believe the time has come for new positive initiatives to face the problems and find solutions. The assessment studies are a first step towards that objective.

NOTES TO EDITORS

Details of the four Assessment Studies are as follows:-

1. South Circular Assessment Study

Travers Morgan Planning are to undertake an assessment study of the South Circular, east of Wandsworth.

The study will examine the problems of the main orbital section of the South Circular Road from Woolwich in the east to the A3, west of Wandsworth.

2. West London Assessment Study

Sir William Halcrow and Partners, in association with Shankland Cox, are to carry out our assessment study of key routes in West London. A firm of consultant landscape architects will also be employed.

Husband and Co will explore in detail the possibility of constructing a Relief Road for the Earls Court one-way system by dual use of the existing railway corridor.

3. East London Assessment Study

Ove Arup and Partners, in association with Llewelyn-Davies Weeks and Derek Lovejoy and Partners will carry out a study examining problems relating to the longer distance traffic movements through the area between the A1 in Islington and the A102 in Tower Hamlets and Hackney.

4. South London Assessment Study

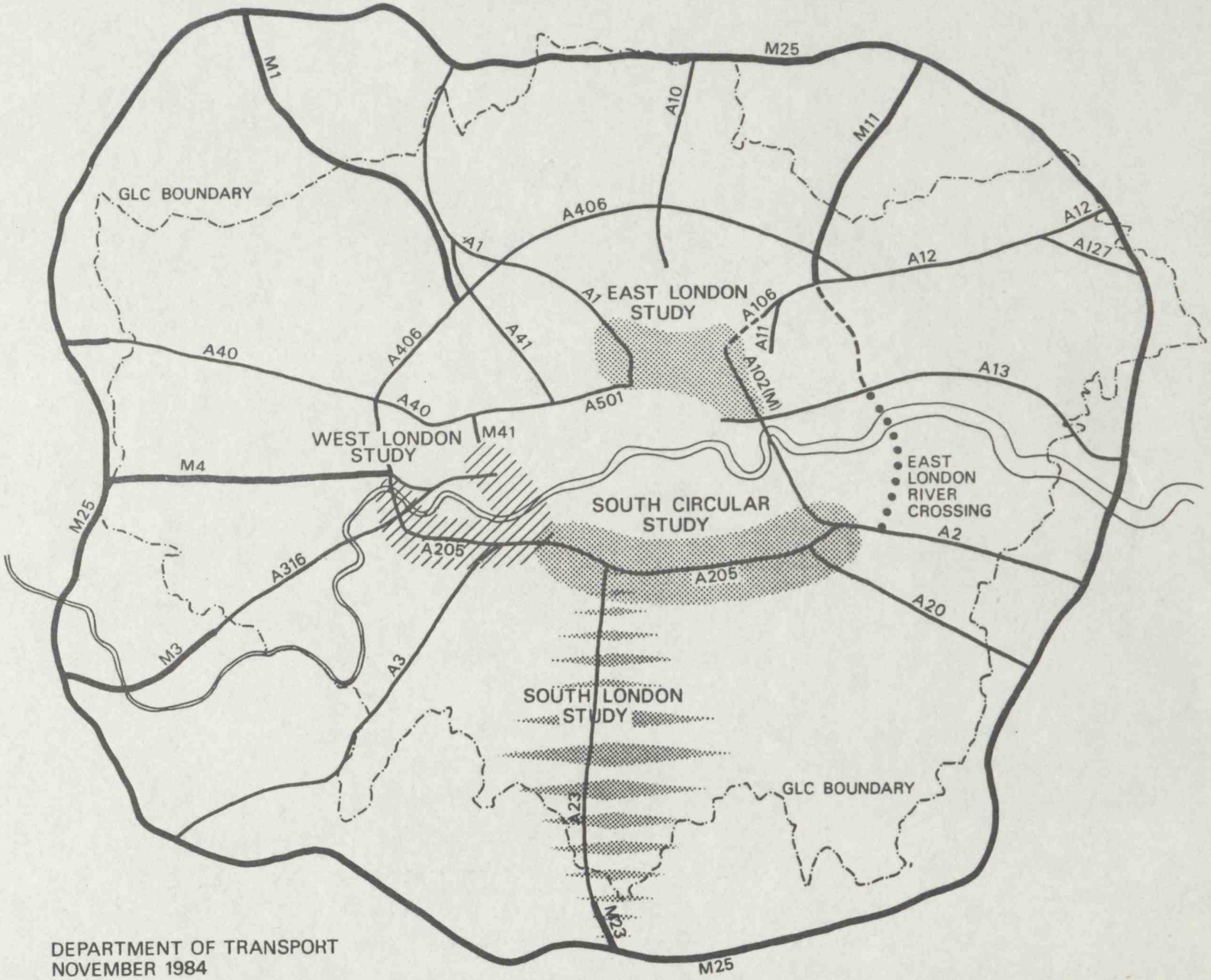
Mott Hay & Anderson in association with Roger Tym & Partners and Brian Clouston and Parters are to carry out a study of the corridor through London to the South. The study will focus on the existing roads and the need for adequate road links south through London to the M25.

A map depicting the approximate areas of the four studies is attached.

Press Enquiries: 01-212 0431

Public Enquiries: 01-212 3434
ask for Public Enquiry Unit

EXPLORATORY ASSESSMENT STUDIES IN LONDON



DEPARTMENT OF TRANSPORT
NOVEMBER 1984

Department of Transport
2 Marsham Street, London SW1P 3EB. Telephone 212 3434

Press Notice No: 526 20 November 1984

SOUTH LONDON ROAD ASSESSMENT STUDY ANNOUNCED

The Secretary of State for Transport today announced the appointment of Mott Hay and Anderson, in association with Roger Tym and Partners and Brian Clouston and Partners, to carry out an assessment study of the corridor through London to the south.

EXTENT OF STUDY

The study will focus on the existing roads and the need for adequate road links south through London to the M25. Given the lengthy timescale which inevitably will be involved, work on schemes in the current programme such as the Coulsdon Inner Relief Road will not meanwhile be held up.

TERMS OF REFERENCE

The basic objectives of the study are:

- to identify the precise nature of the problems in the corridor;
- to identify a range of possible options for improving the area as a whole by dealing more effectively with the flow of essential road traffic, particularly necessary commercial and industrial traffic, through the corridor, reducing the environmental effects of traffic, and meeting the needs of cyclists and pedestrians; and
- to assess the merits of these options having regard to the Government's general transport policies including those for public transport, and policies for roads and traffic in London, the Department's continuing concern to secure value for money in its spending on road improvement schemes, and the sensitivity of the environment and the social fabric of the areas concerned.

The Study should have regard to:

a) the importance of adequate road links between London and Gatwick;

b) the historic nature of some of the areas affected and existing

unsatisfactory environmental conditions;

c) the essential need for movement by private car, lorry and public transport in London;

d) the wider economic and social needs of London within the Government's overall transport policies;

and should in particular consider ways of:

i) reducing congestion and delay of traffic, including public transport;

ii) providing opportunities for concentrating essential lorries on suitable roads wherever possible, thereby affording relief to residential streets;

iii) securing improved road safety for users, including pedestrians and cyclists;

iv) facilitating environmental improvements in major road corridors and neighbouring areas;

v) improving access for industry and commerce through the provision of an adequate network of radial and orbital links for longer distance traffic with essential business in London, and providing connections from all parts of London to the national trunk road network.

A wide range of options will need to be considered from minor traffic management measures, to local improvement at key bottlenecks, general improvements along the line of existing roads and, only where necessary and practicable, the possibility of new routes in whole or in part. There may be some scope for limited road building using disused railways, or for the shared use of existing railway formations. The possibility of re-signing longer distance traffic on to more suitable routes will also be examined.

The Department is not committed to improving any particular section of road. All solutions considered will need to be conceived with great care and sensitivity for the local communities. The detailed assessment of options will incorporate any changes in established methods which emerge from the advice which the Secretary of State commissioned from SACTRA earlier this year.

The consultants appointed for this study will be required to work closely with the consultants appointed to undertake the assessment study of the South Circular Road, Woolwich to Wandsworth.

NOTES TO EDITORS

Mott, Hay and Anderson is a leading firm of consultants with project experience in road, rail and air transport, employing transport planners, civil engineers and economists. Working with them will be the leading firms of Roger Tym and Partners on Town Planning and Brian Clouston and Partners, Landscape Architects.

The Standing Advisory Committee on Trunk Road Assessment, SACTRA, is an independent advisory committee composed of experts in various disciplines and chaired by Professor Tom Williams, Professor of Civil Engineering at Southampton University.

Its reconstitution with a revised and extended membership was announced on 31 July (Department of Transport PN 351 refers).

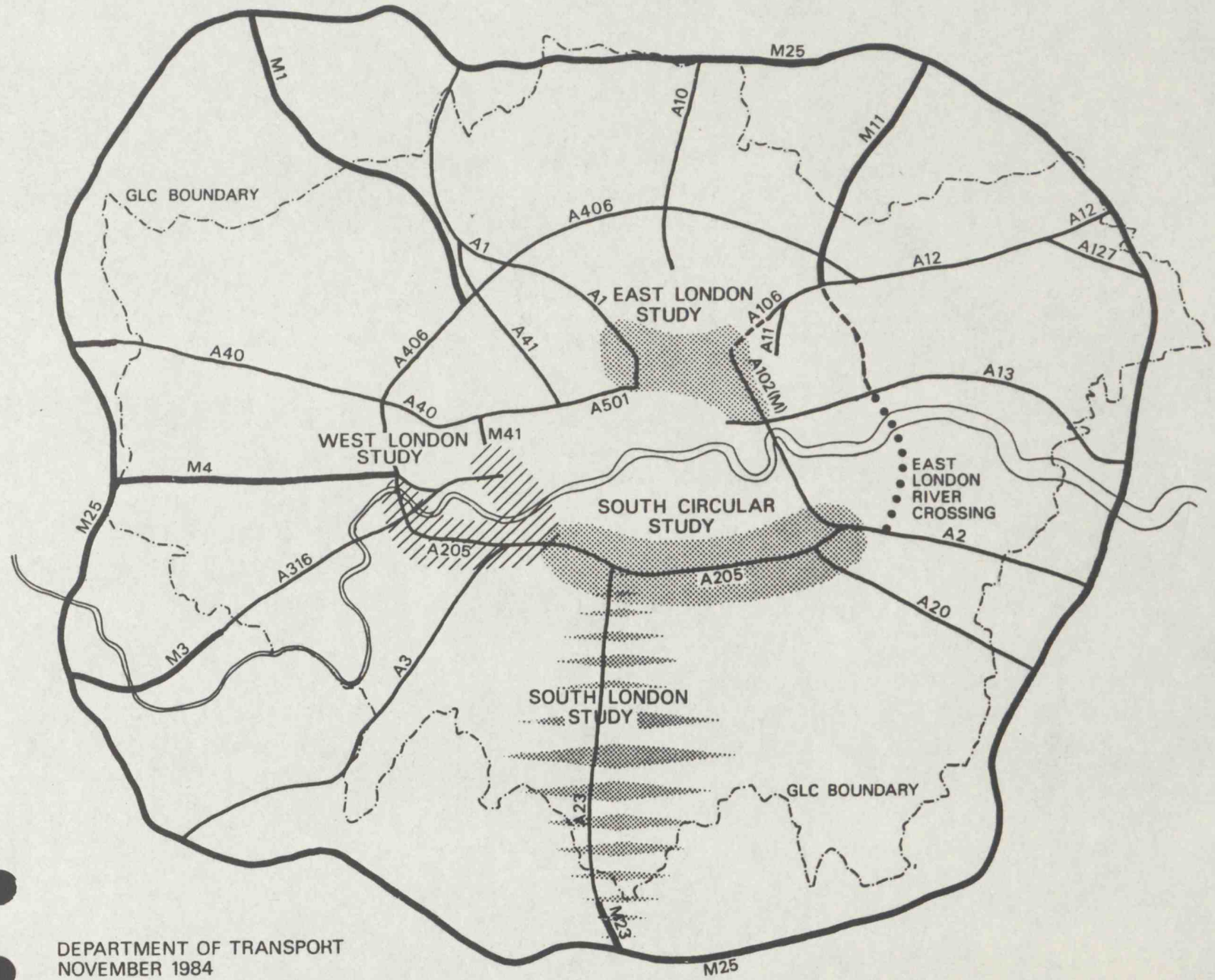
On 24 August Lynda Chalker, Minister of State for Transport, announced the appointment of Halcrow Fox & Associates to provide a detailed basis to assist SACTRA in reviewing the environmental and economic techniques appropriate to the assessment of a wide range of options for improving the strategic network of roads in urban areas. (Department of Transport PN 378 refers).

A map depicting the approximate area of the Study and the other three similar studies also announced today is attached.

Press Enquiries: 01-212 0431

Public Enquiries: 01-212 3434
ask for Public Enquiry Unit

EXPLORATORY ASSESSMENT STUDIES IN LONDON



Department of Transport

Press Notice 527 20 November 1984

EAST LONDON ROAD ASSESSMENT STUDY ANNOUNCED

The Secretary of State for Transport today announced the appointment of Ove Arup and Partners, in association with Llewelyn-Davies Weeks and Derek Lovejoy and Partners to carry out an assessment study in East London.

EXTENT OF STUDY

The study will examine problems relating to the longer distance traffic movements through the area between the A1 in Islington and the A102 in Tower Hamlets and Hackney. The October 1983 consultation paper invited views on whether the Government should take responsibility for a link through this area but the response was inconclusive. The Secretary of State has therefore decided to commission an assessment study before decisions are taken.

TERMS OF REFERENCE

The basic objectives of the Study are:

- to identify the precise nature of the problems in the corridor;
- to identify a range of possible options for improving the area as a whole by dealing more effectively with the flow of essential road traffic, particularly necessary commercial and industrial traffic, through the corridor, reducing the environmental effects of traffic, and meeting the needs of cyclists and pedestrians; and
- to assess the merits of these options having regard to the Government's general transport policies including those for public transport, and policies for roads and traffic in London, the Department's continuing concern to secure value for money in its spending on road improvement schemes, and the sensitivity of the environment and the social fabric of the areas concerned.

The Study should have regard to:

a) the historic nature of some of the areas affected and existing unsatisfactory environmental conditions;

b) the essential need for movement by private car, lorry and public transport in London;

c) the wider economic and social needs of London within the Government's overall transport policies;

and should in particular consider ways of:-

i) reducing congestion and delay of traffic, including public transport;

ii) providing opportunities for concentrating essential lorries on suitable roads wherever possible, thereby affording relief to residential streets;

iii) securing improved road safety for users, including pedestrians and cyclists;

iv) facilitating environmental improvements in major road corridors and neighbouring areas;

v) improving access for industry and commerce through the provision of an adequate network of radial and orbital links for longer distance traffic with essential business in London, and providing connections from all parts of London to the national trunk road network.

A wide range of options will need to be considered from minor traffic management measures, to local improvement at key bottlenecks, general improvements along the line of existing roads and, only where necessary and practicable, the possibility of new routes in whole or in part. There may be some scope for limited road building using disused railways, or for the shared use of existing railway formations. The possibility of re-signing longer distance traffic on to more suitable routes will also be examined.

The Department is not committed to improving any particular section of road. All solutions considered will need to be conceived with great care and sensitivity for the local communities. The detailed assessment of options will incorporate any changes in established methods which emerge from the advice which the Secretary of State commissioned from SACTRA earlier this year.

NOTES TO EDITORS

Ove Arup and Partners is a firm with an international reputation embracing many activities including transportation engineering and highway design. Working with them will be the firms, both well respected in their fields, of Llewelyn-Davies Weeks for planning considerations, and Derek Lovejoy and Partners for landscape architecture.

The Standing Advisory Committee on Trunk Road Assessment, SACTRA, is an independent advisory committee composed of experts in various disciplines and chaired by Professor Tom Williams, Professor of Civil Engineering at Southampton University.

Its reconstitution with a revised and extended membership was announced on 31 July (Department of Transport PN 351 refers).

On 24 August Lynda Chalker, Minister of State for Transport, announced the appointment of Halcrow Fox & Associates to provide a detailed basis to assist SACTRA in reviewing the environmental and economic techniques appropriate to the assessment of a wide range of options for improving the strategic network of roads in urban areas. (Department of Transport PN 378 refers).

A map depicting the approximate area of the Study and the other three similar studies also announced today is attached.

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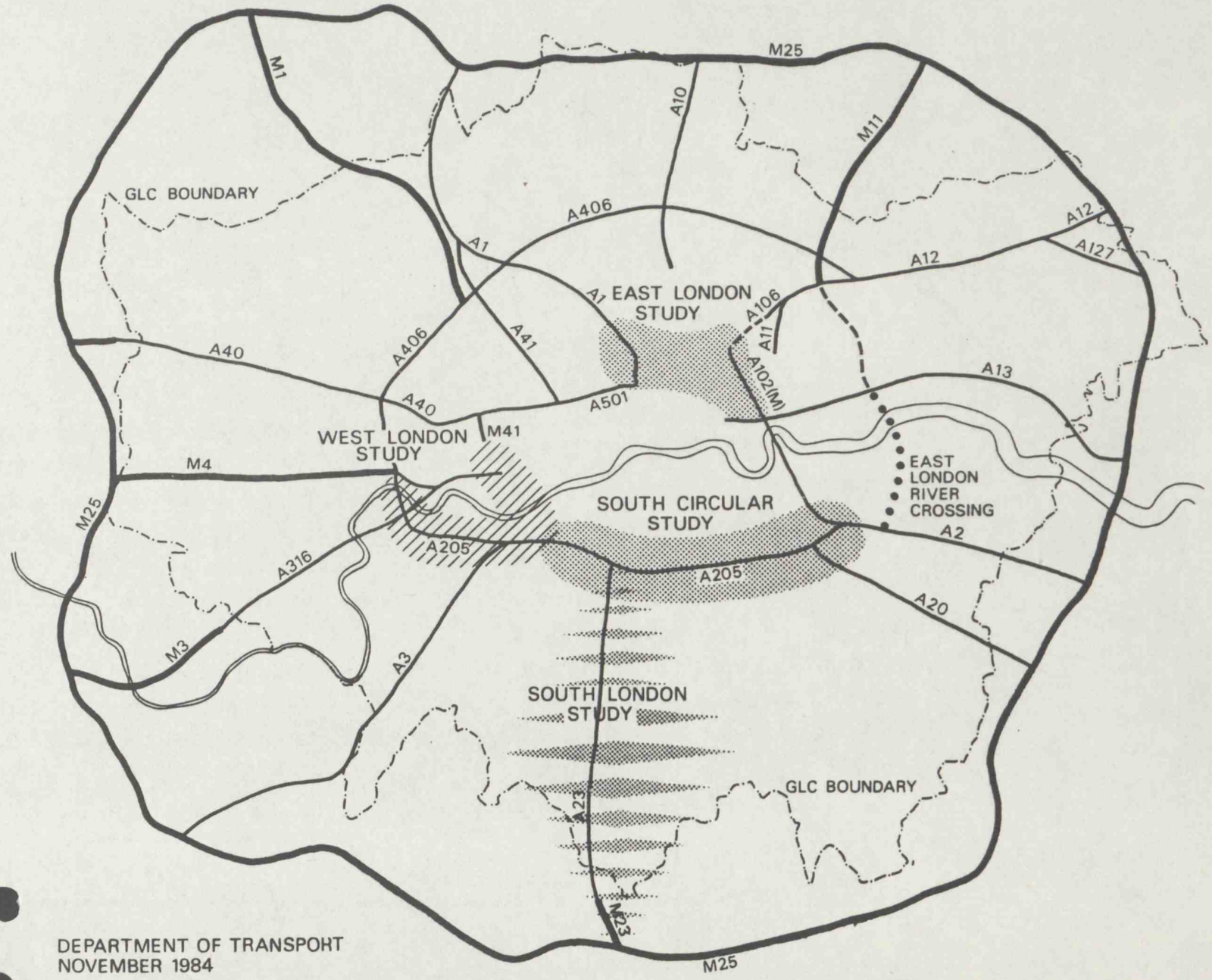
ask for Public Enquiry Unit

EXPLORATORY ASSESSMENT STUDIES IN LONDON



DEPARTMENT OF TRANSPORT
NOVEMBER 1984

Department of Transport
2 Marsham Street, London SW1P 3EB. Telephone 212 3434

Press Notice No: 528 20 November 1984

WEST LONDON ROAD STUDY ANNOUNCED

The Secretary of State for Transport today announced the appointment of Sir William Halcrow and Partners, in association with Shankland Cox to carry out an assessment study of key routes in West London. At the same time, he has appointed Husband and Co to explore in detail the possibility of constructng a Relief Road for the Earls Court one-way system by dual use of the existing railway corridor.

EXTENT OF STUDY

In West London, a unique opportunity exists for providing relief through Earls Court by shared use of the West London railway line. A scheme for a relief road was abandoned relatively recently by the GLC and the Secretary of State is asking Husband and Co to have a fresh look at the possibilities here. He has also commissioned Sir William Halcrow ad Partners to study the strategic problems of a wider area of West London, to enable decisions to be taken about the South Circular, West of Wandsworth, in the light of implications on the major routes north of the river.

TERMS OF REFERENCE

The basic objectives of the study are:

- to identify the precise nature of the problems in the corridor;
- to identify a range of possible options for improving the area as a whole by dealing more effectively with the flow of essential road traffic, particularly necessary commercial and industrial traffic, through the corridor, reducing the environmental effects of traffic, and meeting the needs of cyclists and pedestrians; and
- to assess the merits of these options having regard to the Government's general transport policies including those for public transport, and policies for roads and traffic in London, the Department's continuing concern to secure value for money in its spending on road improvement schemes, and the sensitivity of the environment and the social fabric of the areas concerned.

The Study should have regard to:

a) the historic nature of some of the areas affected and existing unsatisfactory environmental conditions;

b) the essential need for movement by private car, lorry and public transport in London;

c) the wider economic and social needs of London within the Government's overall transport policies;

and should in particular consider ways of:-

i) reducing congestion and delay of traffic, including public transport;

ii) providing opportunities for concentrating essential lorries on suitable roads wherever possible, thereby affording relief to residential streets;

iii) securing improved road safety for users, including pedestrians and cyclists;

iv) facilitating environmental improvements in major road corridors and neighbouring areas;

v) improving access for industry and commerce through the provision of an adequate network of radial and orbital links for longer distance traffic with essential business in London, and providing connections from all parts of London to the national trunk road network.

In addition to exploring the possibility of a relief road sharing the railway corridor through Earls Court, a number of options will need to be considered for the study area as a whole, ranging from minor traffic management measures, to local improvement at key bottlenecks, general improvements along the line of existing roads and, only where necessary and practicable, the possibility of other new routes in whole or in part, perhaps sharing any other suitable railway corridors. The possibility of re-signing longer distance traffic on to more suitable routes will also be examined.

The Department is not committed to improving any particular section of road. All solutions considered will need to be conceived with great care and sensitivity for the local communities. The detailed assessment of options will incorporate any changes in established methods which emerge from the advice which the Secretary of State commissioned from SACTRA earlier this year.

The consultants appointed will be required to work closely with each other and with the consultants appointed to undertake the assessment study on the adjacent section of the South Circular, east of Wandsworth.

NOTES TO EDITORS

Sir William Halcrow and Partners is a well established firm of consulting engineers and architects, with a specialist emphasis on transportation projects - highways, tunnels, bridges and related works. An associated firm, Halcrow Fox and Associates are one of this country's largest firms of planning and transportation consultants. Husband and Co is a long-standing firm of consulting engineers and Shankland Cox are leading town planners. A firm of consultant landscape architects will also be employed on the study.

The Standing Advisory Committee on Trunk Road Assessment, SACTRA, is an independent advisory committee composed of experts in various disciplines and chaired by Professor Tom Williams, Professor of Civil Engineering at Southampton University.

Its reconstitution with a revised and extended membership was announced on 31 July (Department of Transport PN 351 refers).

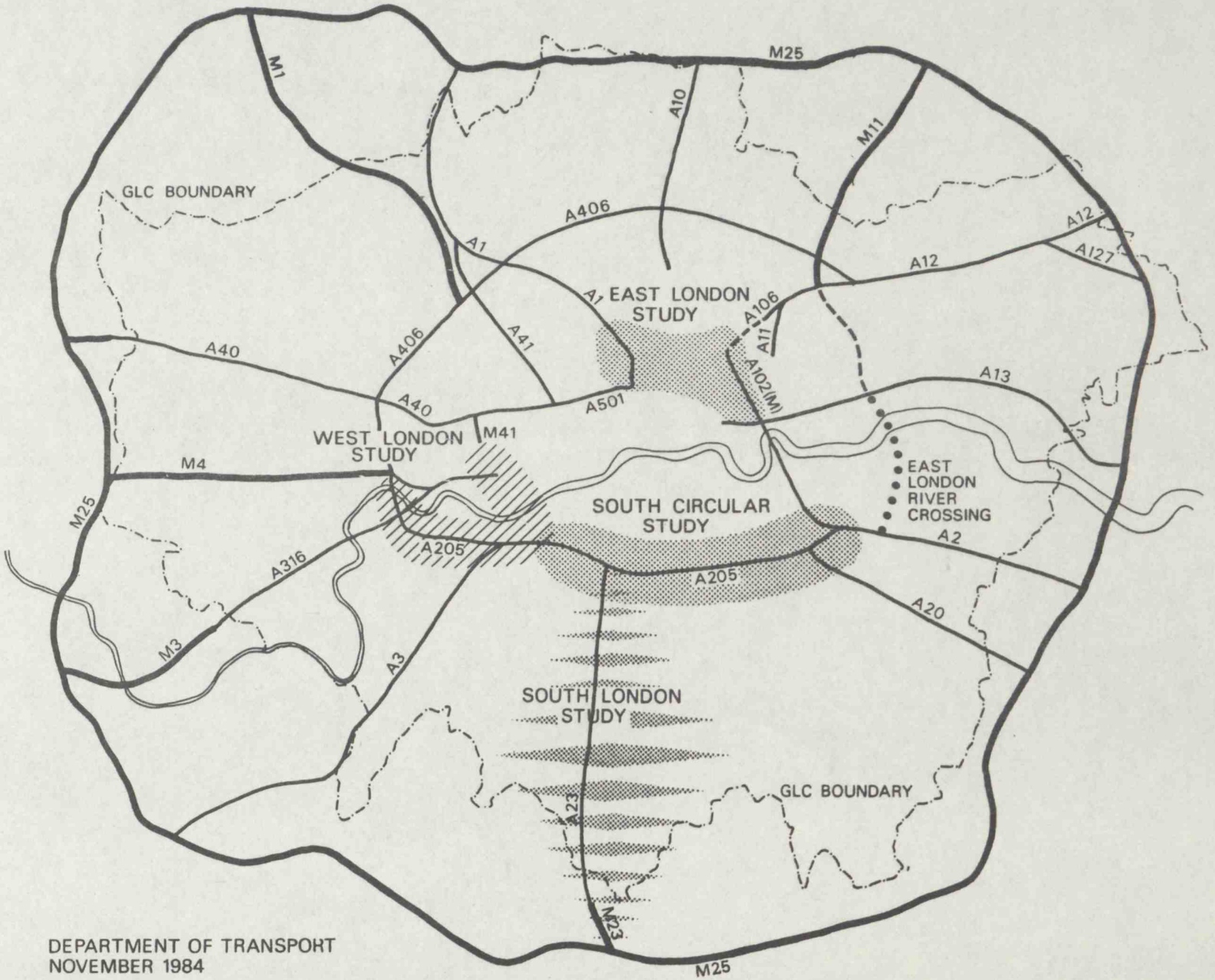
On 24 August Lynda Chalker, Minister of State for Transport, announced the appointment of Halcrow Fox & Associates to provide a detailed basis to assist SACTRA in reviewing the environmental and economic techniques appropriate to the assessment of a wide range of options for improving the strategic network of roads in urban areas. (Department of Transport PN 378 refers).

A map depicting the approximate area of the Study and the other three similar studies also announced today is attached.

Press Enquiries: 01-212 0431

Public Enquiries: 01-212 3434
ask for Public Enquiry Unit

EXPLORATORY ASSESSMENT STUDIES IN LONDON



DEPARTMENT OF TRANSPORT
NOVEMBER 1984

Department of Transport
2 Marsham Street, London SW1P 3EB. Telephone 212 3434

Press Notice No: 529 20 November 1984

SOUTH CIRCULAR ROAD STUDY ANNOUNCED

The Secretary of State for Transport today announced the appointment of Travers Morgan Planning to undertake an assessment study of the South Circular, east of Wandsworth.

EXTENT OF STUDY

The study will examine the problems of the main orbital section of the South Circular Road from Woolwich in the east to the A3, east of Wandsworth.

TERMS OF REFERENCE

The basic objectives of the Study are:

- to identify the precise nature of the problems in the corridor;
- to identify a range of possible options for improving the area as a whole by dealing more effectively with the flow of essential road traffic, particularly necessary commercial and industrial traffic, through the corridor, reducing the environmental effects of traffic, and meeting the needs of cyclists and pedestrians; and
- to assess the merits of these options having regard to the Government's general transport policies including those for public transport, and policies for roads and traffic in London, the Department's continuing concern to secure value for money in its spending on road improvement schemes, and the sensitivity of the environment and the social fabric of the areas concerned.

The Study should have regard to:

a) the historic nature of some of the areas affected and existing unsatisfactory environmental conditions;

b) the essential need for movement by private car, lorry and public transport in London;

c) the wider economic and social needs of London within the Government's overall transport policies;

and should in particular consider ways of:-

i) reducing congestion and delay of traffic, including public transport;

ii) providing opportunities for concentrating essential lorries on suitable roads wherever possible, thereby affording relief to residential streets;

iii) securing improved road safety for users, including pedestrians and cyclists;

iv) facilitating environmental improvements in major road corridors and neighbouring areas;

v) improving access for industry and commerce through the provision of an adequate network of radial and orbital links for longer distance traffic with essential business in London, and providing connections from all parts of London to the national trunk road network.

A wide range of options will need to be considered from minor traffic management measures, to local improvement at key bottlenecks, general improvements along the line of existing roads and, only where necessary and practicable, the possibility of new routes in whole or in part. There may be some scope for limited road building using disused railways, or for the shared use of existing railway formations. The possibility of re-signing longer distance traffic on to more suitable routes will also be examined.

The Department is not committed to improving any particular section of road. All solutions considered will need to be conceived with great care and sensitivity for the local communities. The detailed assessment of options will incorporate any changes in established methods which emerge from the advice which the Secretary of State commissioned from SACTRA earlier this year.

The consultants for this Study will be required to work closely with those appointed to undertake similar studies on the adjacent section of the South Circular, west of Wandsworth (and the West London Relief Road), and those appointed for the study of the corridor through South London.

NOTES TO EDITORS

Travers Morgan Planning is a leading consultancy bringing together expertise on the traffic, environmental, landscape and economic and planning aspects of highway and other transport projects. It has had a wide-ranging workload particularly orientated to complex projects, often in environmentally sensitive areas.

The Standing Advisory Committee on Trunk Road Assessment, SACTRA, is an independent advisory committee composed of experts in various disciplines and chaired by Professor Tom Williams, Professor of Civil Engineering at Southampton University.

Its reconstitution with a revised and extended membership was announced on 31 July (Department of Transport PN 351 refers).

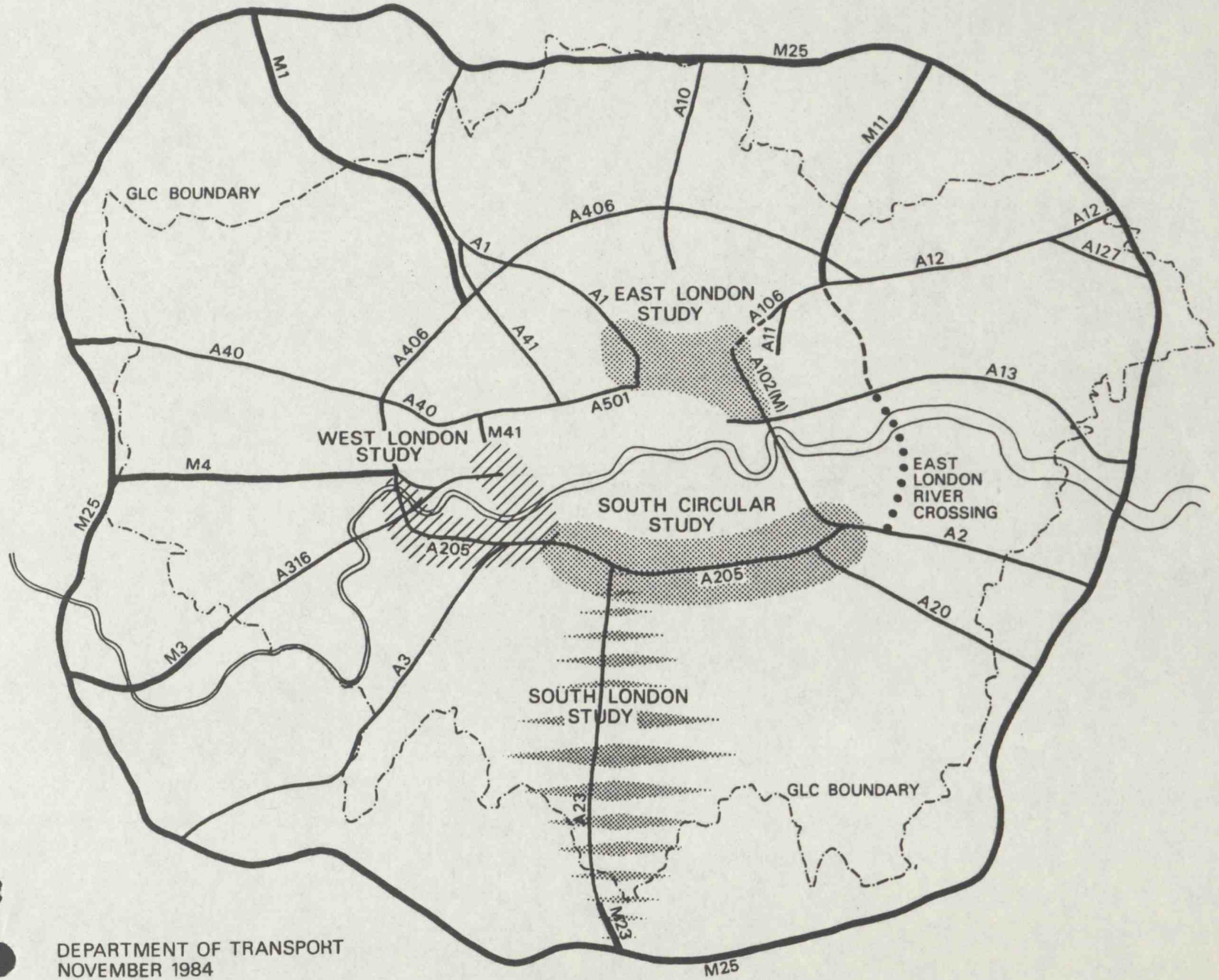
On 24 August Lynda Chalker, Minister of State for Transport, announced the appointment of Halcrow Fox & Associates to provide a detailed basis to assist SACTRA in reviewing the environmental and economic techniques appropriate to the assessment of a wide range of options for improving the strategic network of roads in urban areas. (Department of Transport PN 378 refers).

A map depicting the approximate area of the Study and the other three similar studies also announced today is attached.

Press Enquiries: 01-212 0431

Public Enquiries: 01-212 3434
ask for Public Enquiry Unit

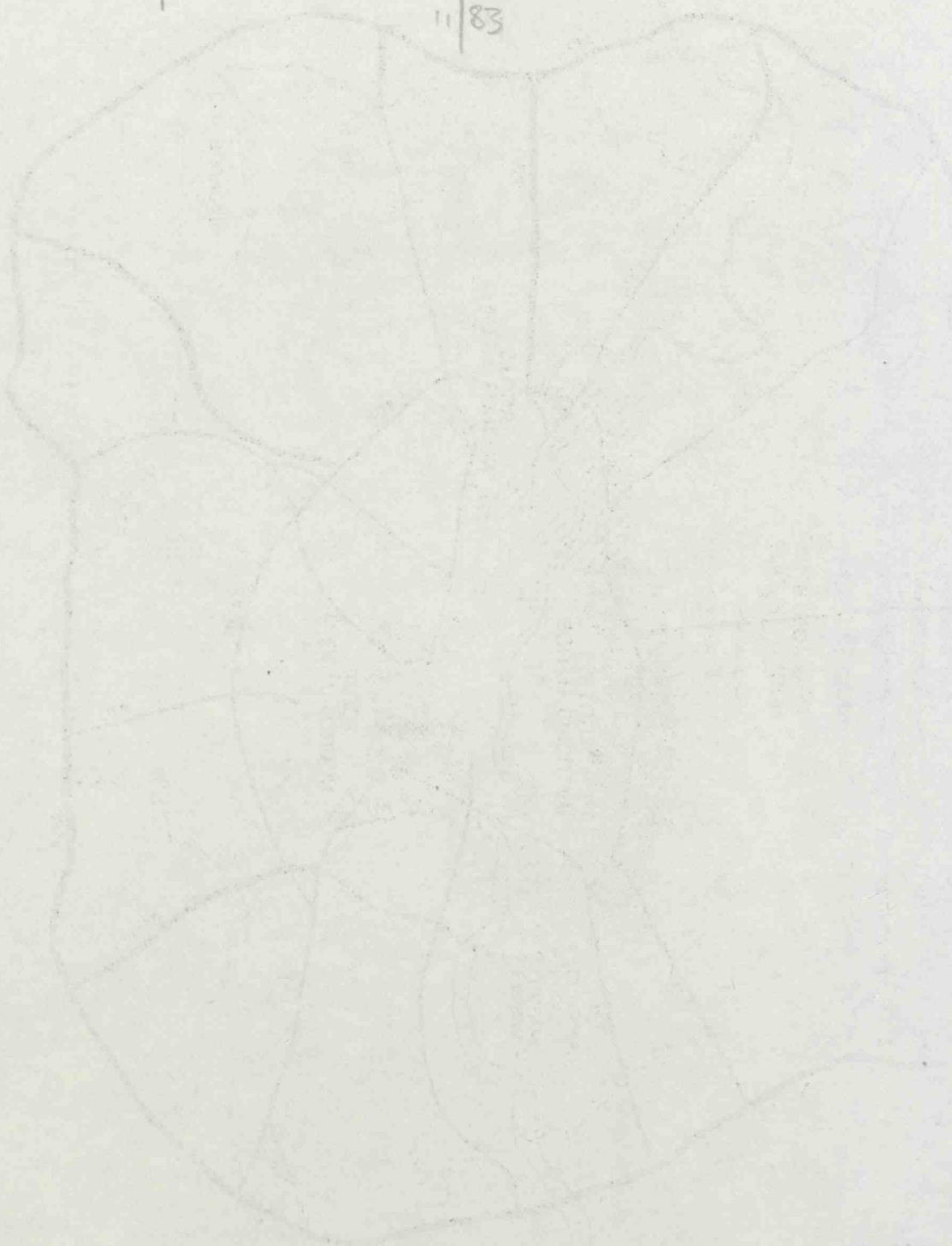
EXPLORATORY ASSESSMENT STUDIES IN LONDON



DEPARTMENT OF TRANSPORT
NOVEMBER 1984

Transport : London Transport

11/83



CONFIDENTIAL

cc: Chancellor
FST
EST
MST
Sir P Middleton
Mr Bailey
Mr Monck
Mr Anson
Mr Burgner
Mr Scholar

Treasury Chambers, Parliament Street, SW1P 3AG

Mr Jameson
Mr Grimstone
Mr Pirie
Mr Williams

Rt Hon Nicholas Ridley AMICE MP
Secretary of State
Department of Transport
2 Marsham Street
London
SW1P 3EB

6 November 1984

Ms Spencer
Mr Colman
Mr Revolta

Dear Secretary of State

LRT: GLC CHALLENGE TO S. 49 DIRECTION

I understand that as a result of the GLC challenge to your Direction under Section 49 of the London Regional Transport Act, you are faced with a decision on whether to pursue the litigation or effectively to concede the matter now. I understand also that your legal advice is that you should concede and make a fresh Direction.

2 I am not in a position to comment on the legal advice, which you may feel is an overriding consideration given the possible timing consequences of any process of appeal. I know you will bear in mind the public expenditure implications in making your decision.

3 I understand that the potential call on public expenditure may be up to £45 million, much of which could show up as pressure on next year's external financing limit for LRT because we agreed that you should carry forward a revenue surplus of some £30 million, and this may not now be available. I know that you will make every effort to absorb any increase within existing provision. Any burden should be carried on internal resources, which will have implications for capital spending and for fares levels. You may wish to propose some offsetting change in the external financing limits of your other industries before EFLs are announced or in your departmental programme although this would have to be arranged very quickly. I understand that you have considered an amendment to the GLC Money Bill to reinstate some £12 million of capital provision for LRT; but I would be most reluctant to contemplate this. The original cut in provision was the

first time that such a Money Bill had been opposed, and we would need to be able to ensure that the GLC spent any extra provision on transport and not on other services. You may prefer to ask colleagues to agree a re-allocation within existing provision, which could help avoid any increase in the already large capital overspend in the current year. If in the event a call on public expenditure was unavoidable, I would need to ask you to increase the call on ratepayers, since they will in principle benefit from any GLC saving.

4 I am copying this letter to Patrick Jenkin in view of his Money Bill interest.

Yours sincerely

for PETER REES

[Approved by the Chief Secretary]

NBPM AT 1/8

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 ~~XXXX~~ 3434

My ref:

Your ref:

A.T.

rec'd 1/8

The Rt Hon Mrs Margaret Thatcher MP
House of Commons
LONDON
SW1

Dear Margaret

I thought you would like the enclosed personal copy of the paper we are sending to Borough Councils, firming up our proposals for reallocating London's transport responsibilities following abolition of the GLC. Their formal views are being sought by the end of September before the proposals are finalised. Copies have been placed in the House of Commons Library and sent to national organisations that commented on the October document. We have not sent them direct to any of your local action or environmental groups though of course if they ask for them we shall supply them. If there are any particular points that you would like to discuss with me or any additional information you would find helpful, please do not hesitate to get in touch with me.

Yours ever

Lynda

MRS LYNDA CHALKER

REALLOCATION OF TRANSPORT RESPONSIBILITIES IN LONDON

FOLLOWING ABOLITION OF THE GLC

Issued by the Department of Transport

July 1984

REALLOCATION OF TRANSPORT RESPONSIBILITIES IN LONDON FOLLOWING ABOLITION OF THE GLC

Note by the Department of Transport

INTRODUCTION

1. The Secretary of State has welcomed the helpful responses from many London borough councils and other bodies who have commented on the proposals for reallocating London's road and traffic responsibilities following abolition of the GLC published last October [i]. This note describes the details of what is now proposed as a basis for seeking borough council views by 28 September before the proposals are finalised. Comments should be sent to:

The Department of Transport
Room C5/15A
2 Marsham Street
LONDON SW1P 3EB

A STRATEGY FOR LONDON'S ROADS AND TRAFFIC

2. Completion of the M25 will mean that long-distance traffic will be able to traverse the south-east without passing through London. It will be the Government's policy to ensure that the maximum possible use, in particular by freight traffic, is made of this massive metropolitan by-pass. The proposed reallocation of traffic and highway roles and duties within Greater London is intended to form a basis for developing with borough councils a long-term view of what needs to be done and commitment by all concerned to its achievement. Without a co-operative approach London's living conditions will continue to suffer, jobs will move away and resources will be wasted. This co-operative approach on traffic and highway questions will of course form part of a wider overall approach.

3. The White Paper "Streamlining the Cities" recognised the need to maintain close links between land-use planning and highways and traffic management. Strategic transport and highway matters will be among the matters considered by the London Planning Commission and will be reflected in the strategic guidance to be issued by the Secretary of State for the Environment. The borough councils will be required to have regard to this guidance in the policies of their unitary development plans and to bring forward appropriate proposals.

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i. Reorganisation of Local Government in Greater London: Reallocation of Transport Responsibilities: Consultation Paper issued by the Department of Transport October 1983.

THE STRATEGIC LONDON NETWORK

4. A coherent and planned approach is needed to handle London's traffic flows. Many of London's road traffic problems can and should be tackled locally, but the consultation document noted that some issues have implications beyond the boundaries of individual boroughs. It set out proposals for co-ordinating traffic matters where this was desirable over wider areas. The proposed extent of the strategic London network where traffic movement needs to be considered as a whole is identified in the map at Annex A. It comprises the key routes which will be a Departmental responsibility, together with some 300 miles out of the 825 miles of metropolitan roads to be transferred to borough councils. Final details of this network will be settled with borough councils. As proposed in the October document, borough councils will be required to consult each other about and notify the Secretary of State of proposals that affect any of these roads. He would have time-limited powers to withhold his approval.

GUIDANCE TO BOROUGH COUNCILS

5. In order to assist borough councils both generally in carrying out their new traffic management responsibilities, and in particular in making proposals affecting the strategic London network, the Secretary of State proposes to issue general guidance in respect of London's traffic management policies. These would cover such matters as parking, lorry access and bus priorities and would be worked out in consultation with local authorities, and monitored through an appropriate collective arrangement with borough councils. This might take the form of the Voluntary Joint Committee envisaged in the October document; and this might also serve as a useful forum for handling other issues (for example links with planning policies and proposals). This will be discussed further with borough councils. In addition to his existing reserve powers the Secretary of State would have reserve powers to intervene where borough councils' exercise of their powers disregarded his guidelines in such a way as to have adverse consequences for the movement of traffic in London. In addition, the borough councils would be required to consult other authorities about proposals which might affect their areas and, where any disputes could not be resolved by the boroughs themselves, the Secretary of State's consent would be required before the proposal could go ahead.

6. In this way, the main responsibility for London's roads and traffic would rest with the borough councils but wider policies could be applied consistently in terms of traffic movement throughout London as a whole and in relation to its environs.

DEPARTMENTAL ROADS

7. The response to consultation has indicated that, with some minor adjustments, the scale of the proposed transfer of some 70 miles of metropolitan roads to Departmental ownership as part of the key routes of London is about right. Some bodies have suggested that there should be rather more extensive transfer to the Department in order to ensure that the main traffic network is considered as a whole. The Secretary of State believes however that the proposals outlined above in relation to traffic management mean that there is no need for more extensive Departmental ownership and that as far as possible the responsibility for maintaining London's roads should rest direct with the borough councils.

8. It has also been represented by some individuals and local environmental groups that all existing GLC roads should be transferred to the boroughs. The Secretary of State believes that this view is misconceived. The construction of the M25 and comprehensive signing to encourage its use will open up a new prospect for London. The key routes that handle London's traffic will no longer have to deal with through traffic with destinations elsewhere; but they will continue to serve as main distributor roads for longer distance trips within London itself without which the metropolis could not continue to function properly. As such they serve much more than a local role and it would not be appropriate for the responsibility and cost of maintaining these key routes to rest with borough councils.

TACKLING LONDON'S PROBLEMS

9. The Secretary of State believes that reallocation of London's roads and traffic responsibilities on the above lines will form a clear basis for the joint development of effective measures to meet London's needs. A long-term look will be needed at what should be done about the worst traffic problems of London and the damaging environmental consequences. The Department will pursue discussions at individual borough level about identifying the trouble spots and is preparing for a series of assessment studies of corridors where particularly severe problems exist. It will develop with borough councils the basis for working out together a 10-15 year action plan to tackle them. The improvement of environmental conditions and safety will be a prime objective as well as the reduction of delays and congestion for road users.

10. As announced recently, the Secretary of State has asked the independent Standing Advisory Committee on Trunk Road Assessment (SACTRA) to turn its attention to the problems raised in urban road appraisal, with a particular view to assisting those assessing needs, possible solutions and their wider impacts. The Department will be giving particular attention to ways of tackling the environmental problems of existing urban roads and to the development of practicable programmes of early improvement including measures to reduce noise. Lessons learned in these studies will have wider application.

11. In most cases the Secretary of State expects the practicable solution to lie in some modest form of improvement. But the options which need to be explored both regarding his own roads and those of the borough councils would include those set out in the consultation document. At many points the apt solution will be better traffic management measures, local improvements at bottlenecks, and attention to turning traffic at junctions. Elsewhere more general improvement along the line of existing roads would be sensible. These options between them should resolve most of London's traffic problems in a practicable fashion; only where they are seen to be insufficient would a new section of road warrant further study. The essential factor is to ensure that problems are examined and tackled vigorously in pursuit of a consistent policy which enhances environmental, traffic and safety conditions, including those of pedestrians and cyclists.

THE ROLE OF TRAFFIC MANAGEMENT

12. Work is already in hand on the approach to developing new guidelines and codes of practice on a number of traffic management measures. This forms part of a wider review of ways in which traffic management measures, in the light of current experience, can best be developed in urban areas

generally. Work in this field will form a context for the Secretary of State's guidelines to be worked out with borough councils to form the basis for traffic management planning in London. It will also be taken into account in the strategic guidance to be issued by the Secretary of State for the Environment on the preparation of unitary development plans.

ALLOCATION OF EXECUTIVE FUNCTIONS

13. The consultation document also identified three executive functions on which further discussion with borough councils would take place. These were:

a. the provision of a central capability to handle London-wide transport data;

b. the Urban Traffic Control system currently being developed for co-ordinating traffic signals in London, under the day-to-day control of the Metropolitan Police;

c. arrangements to achieve consistency of signposting.

DATA PROVISION

14. In view of the importance of this function, the Secretary of State is prepared to assist and encourage liaison between borough councils to ensure the continuing collection and analysis of data to meet their common needs. Discussions will take place with the borough councils on the development of co-operative arrangements. If, however, they are unable to agree satisfactory arrangements by the time of abolition, the Secretary of State will be prepared to make transitional arrangements to ensure that London-wide data collection and analysis are maintained. There would then be further discussions with the borough councils about permanent arrangements; these would cover the information to be provided and how to accommodate ready access by those who require it. The scope of data collection in London would also be reviewed to relate it better to national data collection and to the necessary analysis of London trends, while at the same time discontinuing unnecessary central data collection and analysis. Appropriate arrangements would be developed further in discussion with local authorities and others concerned.

URBAN TRAFFIC CONTROL

15. The Secretary of State shares the view, expressed in response to consultation, that the Urban Traffic Control system should be maintained and developed. Further discussions will take place with the borough councils on co-operative arrangements for the management and operation of the system. The Secretary of State would have reserve powers to take responsibility for planning and management of the system, if no satisfactory arrangements could be agreed by the time of abolition. In this event, as much as possible of the practical application would be devolved to boroughs, together with certain functions such as signal design and pedestrian facilities. The present important Police control role would be maintained. The opportunity for contracting out to private industry the operation of parts of this system such as maintenance would also be examined further. The overall aim would be to ensure that a comprehensive view of the system and its consistent application in the interests of handling London's traffic would be maintained.

SIGNPOSTING

16. Responses to the consultation paper have indicated that there should not be special problems connected with directional traffic signs. The overall signing of London is already under consideration and proposals will be discussed further with the borough councils in the light of the other changes that are proposed in respect of the strategic London network, and the intention to secure the maximum use of the M25 as an alternative to London's roads.

ROAD SAFETY

17. The Secretary of State attaches great importance to ensuring that a coherent approach is maintained to road safety. As with other data collection, if the borough councils are unable to make satisfactory arrangements in time, the Department of Transport would take steps to ensure that central accident data analysis and dissemination within London are maintained. The experimental and advisory work done by the Department nationally will continue to provide borough councils with access to the latest techniques and developments; and road safety questions will also be covered in the traffic management guidelines to be issued by the Secretary of State. In addition, a London Road Safety Committee will be established with representatives from the London borough councils, the Police, the Department, and national road safety organisations, to provide a suitable focus for advice and co-ordination in this key area.

OTHER ISSUES

18. Other allocation issues have been raised in the course of the consultation. These are as follows:

a. Thames bridges: The proposal here is that each bridge (or tunnel) not on a key route should be transferred to one of the riparian London boroughs. This proposal will be the subject of further detailed consultation which will cover arrangements for sharing existing expertise and financial implications.

b. Piers: Each of the present GLC piers should become the responsibility of the borough within which it is situated.

c. Woolwich Ferry: As indicated to Parliament by the Minister of State for Transport, the continued operation of the Woolwich Free Ferry will be unaffected by GLC abolition. Further consideration is being given to the appropriate transfer of responsibility.

NEW FINANCIAL ARRANGEMENTS

19. Ratepayers will no longer pay any part of the cost of improving and maintaining those roads for which the Secretary of State becomes responsible. Boroughs would be eligible for Transport Supplementary Grant for important local road improvement schemes, subject to the proposals for changes in TSG now being discussed with the local authority associations. When the GLC is abolished, the financing costs of borough councils' additional responsibilities for road investment net of TSG, and their maintenance and administrative costs will be taken into account in the

changes to be made to the Rate Support Grant system at that time. This will involve adjustment to the GREs for transport expenditure, to targets (if they are retained), grant-related poundages and the London Rate Equalisation Scheme. These changes will also take account of the proposed new arrangements for TSG.

THE NEXT STEPS

20. The views of borough councils on all the above points will be carefully taken into account in further developing the preparations for a smooth transition to the new transport arrangements for London. Discussions will also take place with borough councils about developing future liaison and co-ordination arrangements on matters of common interest both prior to and following the proposed reorganisation.

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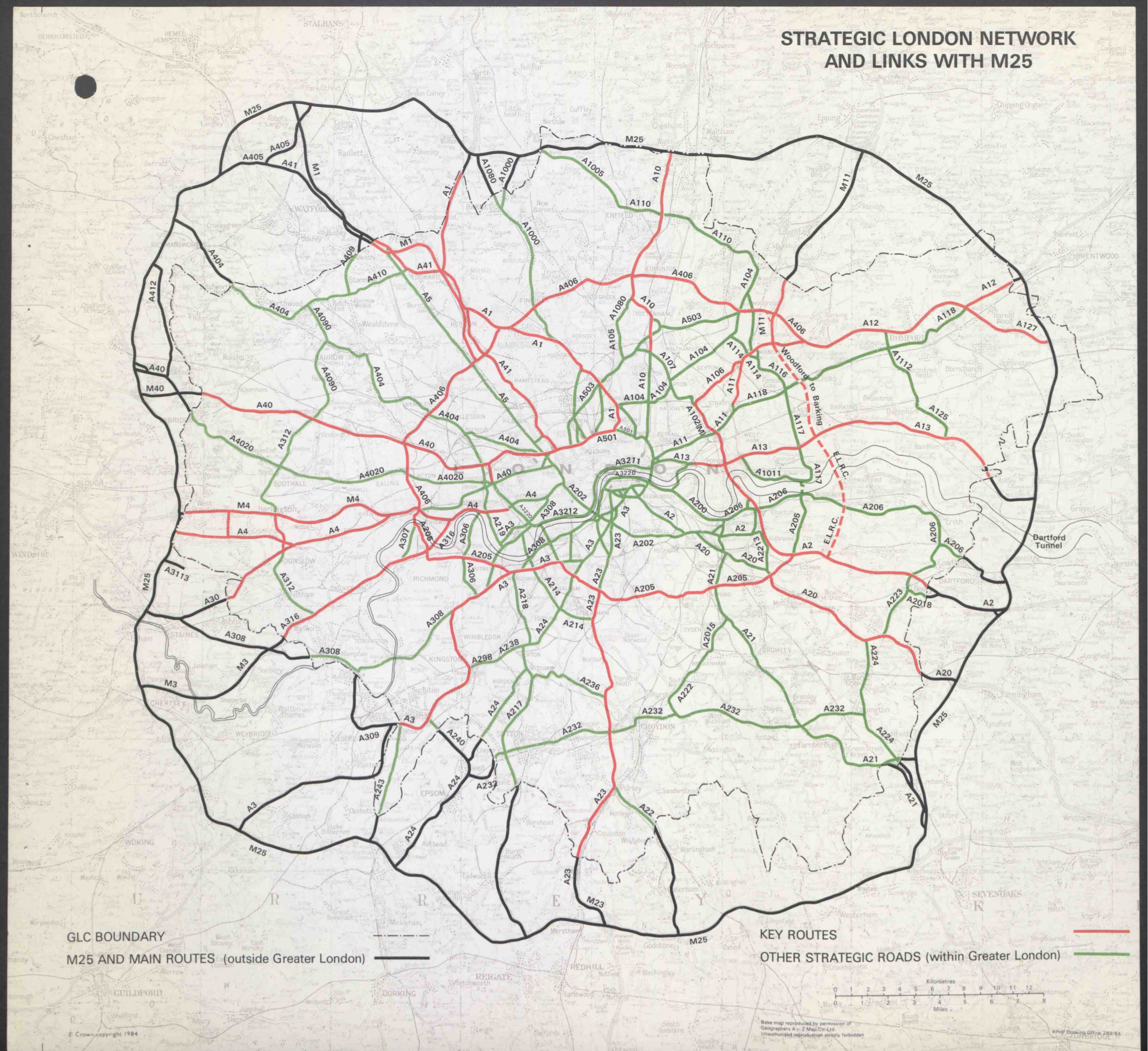
STRATEGIC LONDON NETWORK AND LINKS WITH M25



GLC BOUNDARY

M25 AND MAIN ROUTES (outside Greater London)

KEY ROUTES

OTHER STRATEGIC ROADS (within Greater London)

Kilometres 0 1 2 3 4 5 6 7 8 9 10 11 12

Miles 0 1 2 3 4 5 6 7 8

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RPIP Drawing Office 289/84

CONFIDENTIAL

CC NO

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

NBPM

AT 2417

The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education
and Science
Department of Education and Science
Elizabeth House
York Road
LONDON SE1 7PH

24 July 1984

Dear Keith

177

Thank you for your letter about the funding of LRT. I wonder whether there is some misunderstanding about the position? I will deal with your points in the order you make them.

There is no question of our going back on a judgement we have made about the appropriate level of support to LRT. It was made quite clear to the Local Authority Associations that £125m was a purely illustrative figure as Ministers had not yet decided this issue. It is now agreed that the figure should be £132m. This is a reduction of £64m over last year.

The same applies to the AEG reduction. In fact the amount of the AEG reduction will not be discernible by the Associations because Patrick Jenkin will be announcing the AEG in such a way that it will appear to have been determined from consideration of relevant expenditure net of the LRT adjustment.

CONFIDENTIAL

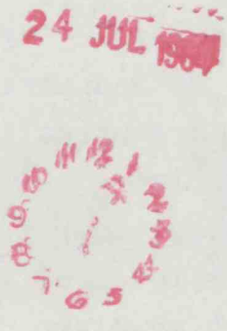
Londoners have never paid the full costs of LT support. The Exchequer has paid part through TSG and until recently also through RSG. Ratepayers will continue to contribute up to two thirds of the cost of support to LRT through the levy which the London Regional Transport Act empowers the Government to collect.

Our general policy is that support for public transport should be progressively reduced by increasing efficiency and better tailoring services to demand, so reducing unit costs. Fares should be increased where they are unrealistically low - the arch-case being South Yorkshire - and to keep them in line with prices generally. I am sure our supporters in London would not consider the present level of fares in London is unrealistically low, though my plans do envisage increasing them by somewhat more than the rate of inflation at the beginning of next year.

There is certainly scope for trying to adjust the fare structure in a way which mitigates the impact of an increase. However I will certainly be asked directly about the overall percentage rise and there is no way of hiding it. The increase will have to be announced in the autumn and we shall be creating needless political difficulties if we end up with a fare rise which cannot be justified against what I said during the passage of the Bill.

Copies of this letter go to the Prime Minister, the members of E(NI) and E(LA) and to Sir Robert Armstrong.

NICHOLAS RIDLEY


24 JUL

CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon John Biffen MP
Lord Privy Seal and
Leader of the House of Commons
Privy Council Office
68 Whitehall
LONDON SW1A 2AT

19 July 1984

Dear John

OBJECTIVES FOR LONDON REGIONAL TRANSPORT

I am enclosing for your information the text of the written PQ answer announcing LRT's objectives which I propose to table on Friday morning.

I do not believe that this announcement is sufficiently controversial to warrant an oral statement. Moreover an oral statement would provoke the Opposition to raise questions about fares, service levels, employment and other matters, which do not strictly arise on the letter to the Chairman of LRT, in an attempt to score political points. We could give no definitive answers to these questions at this stage. I understand that in the circumstances you agree that a written announcement would be satisfactory.

I am copying this letter and the text of the announcement to the Prime Minister, Willie Whitelaw, members of E(NI), John Wakeham and Sir Robert Armstrong.

Yours ever
Nicholas

NICHOLAS RIDLEY

CONFIDENTIAL

QUESTION

To ask the Secretary of State for Transport, when he proposes to announce the Government's objectives for London Regional Transport.

ANSWER

I have today written to the Chairman of London Regional Transport in the following terms:

"1. This letter concerns the objectives which the Government wishes you to pursue in running London Regional Transport. It supplements the statutory and financial duties of the Board. Enactment of the London Regional Transport Act starts a new stage in providing better and more efficient public transport for the capital city. The Act sets the framework of duties for you and your colleagues, and prescribes how you are to publish your plans and strategies and consult on them with local authorities and others. Close working with British Rail is specially important, and I am writing separately to you and to the Chairman of the British Railways Board about that.

Tasks for London Regional Transport

2. Building upon the White Paper "Transport in London", I see four initial tasks for the new organisation:

- to improve bus and underground services for London within the resources available and to make the service more attractive to the public;

- to reduce costs, including fraud, and the call on taxpayers' and ratepayers' money and generally secure better value for the community;

- to involve the private sector in the provision of services where that is more efficient and to make better use of publicly owned assets, including the sale of public assets which are no longer required;

- to promote better management through smaller and more efficient units with clear goals and measurable objectives.

Costs, Subsidy, Fares and Investment

3. I want you to submit for my approval within an investment allocation that will be agreed by the Government, a programme of investment to modernise the public transport systems, making them more attractive to passengers and more efficient. In addition to

necessary renewal of equipment, you will want to bring forward as rapidly as possible investments which will save costs, and a steady programme to improve facilities for passengers, including interchanges between bus, rail and underground services, long distance coaches, taxis and private transport. I shall expect you to secure this investment at the best price through competition wherever possible.

4. To reduce the present excessive call on ratepayers and taxpayers, the burden of revenue support will have to be reduced. To achieve this, a proper priority for investment is vital. You have told me that you can achieve a reduction in unit costs of two and a half per cent a year, in real terms, over the next few years. I look to you, if possible, to do better than that, and I shall want to review the target with you within the next twelve months. The most effective use of labour, and keen purchasing in the market, will both be important in achieving this target.

5. The improvement of efficiency can make a large contribution to achieving your prime financial target, which will be to reduce the level of revenue support from ratepayers and taxpayers to £95m in cash in 1987/88. Given control of costs, this does not in any way imply a programme of large fare rises. After any initial increase to redress the balance I would expect you to maintain a broadly stable relationship between fares, prices generally and the fares on the British Rail London commuter services. You will also want to consider how your fare scales can best be set to reflect the different cost structure of the bus and underground systems.

6. In the light of these objectives and your plans to achieve them the Government will decide each autumn the provision for your total of external finance for the coming fiscal year; and your investment allocation.

Organisation and Control

7. I look forward to receiving by the end of the year your proposals under the Act for establishing separate bus and underground subsidiaries, and separate companies for other parts of your organisation. These should provide for the clear identification of costs and performance and clear responsibility for them, and for the involvement of private capital where appropriate.

8. In the case of the bus subsidiary, the organisation will need to allow your Board to set clear objectives for devolving accountable management to smaller units, for reducing costs per bus mile, for improving the match between supply and demand so as to increase average bus loadings, and for carrying forward vigorously a plan to bring in other operators, both public and private, to compete for the provision of services.

Disabled People

9. The Act requires you to have regard to the needs of disabled people and to report annually on the steps you have taken to cater for them. I expect you to keep their requirements in mind in

developing your equipment, and co-operate with those financing special services for the more severely disabled. I hope that one member of your Board can provide a focal point for considering the needs of disabled people.

Conclusion

10. In seeking to improve bus and underground services for London you will be strengthened by advice from the new London Regional Passengers' Committee.

11. Your efforts to provide better value for money in public transport will have the fullest support of the Government and I am sure of the ratepayers and of the travelling public. "

L. Transport

G2SS5

CONFIDENTIAL

LCNO.

NBPM
AT 17/7

DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

17 July 1984

Dear Nicholas,

I have seen the recent correspondence between you and Patrick Jenkin about the funding of LRT in 1985/86.

I agree very strongly with Patrick that no further deduction should be made from local authority current expenditure provision for 1985/86 in respect of LRT. The local authority associations in Grants Working Group were given an illustrative figure for LRT revenue support of £125 million, and even £132 million will be distasteful to them. A further addition of £20 million would make it appear that the Government had badly misjudged the cost of LRT revenue support, and was looking to recoup the money by squeezing local authority expenditure generally. The same applies to the reduction in AEG, for which £101 million seems quite as much as would be acceptable.

When the GLC ran London Transport the costs of it fell on Londoners. It would not do much for our relations with local government as a whole if it now appeared that the excess costs of LRT were in effect to fall on the rest of the country.

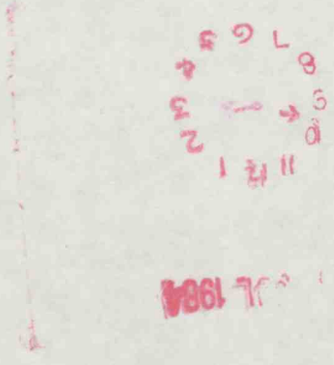
It is our general policy on public transport that the user should pay more of the cost. If LRT is to cost more in 1985/86 than your Department had originally estimated, should you not look first to further fare increases to cover the cost? [The simplified fare structure of LRT could well mean that a fairly large percentage increase (eg an increase of 10p for each journey within a fare zone, or combination of zones) is easier to implement than a small percentage increase.] I agree of course that it would need careful presentation.

Copies go to the Prime Minister, to members of E(NI) and E(LA), and to Sir Robert Armstrong.

Yours ever, Keith.

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport
2 Marsham Street
LONDON SW1 3EB

Transport LRT 11/83



bc. Bob Young

CONFIDENTIAL

cc: CO DoE
CDLO SO
DIEmp. HMT
DIEn.
CSO, HMT
DTI

10 DOWNING STREET

From the Private Secretary

11 July, 1984.

Financial Objectives for London Regional Transport

The Prime Minister has seen your Secretary of State's minute of 10 July responding to the Prime Minister's comments recorded in my letter of 28 June. She has noted the points made, and is content with the changes proposed in the letter to be sent to Dr. Bright.

I am sending copies of this letter to the Private Secretaries to the members of E(NI) and to Richard Hatfield (Cabinet Office).

Andrew Turnbull

Miss D.A. Nichols,
Department of Transport.

CONFIDENTIAL

CONFIDENTIAL

PRIME MINISTER (1)

Financial Objectives for London Regional Transport

Mr. Ridley has responded to the various points we put to him:

(i) He agrees with separate subsidy targets for the bus and underground services, though they will have to wait until separate subsidiaries have been established.

(ii) On costs, he confirms that the 2½ per cent reduction in unit costs is to be specified in real terms (as are similar objectives for other nationalised industries) but it will be specified as a minimum.

(iii) He accepts that prices should reflect costs of the differing modes of transport.

(iv) On redundancies, the scheme inherited from London Transport appears to be very generous but Mr. Ridley does not believe it to be practicable to renegotiate it at this stage.

Agree this represents a satisfactory response?

Yes AT

ANDREW TURNBULL

10 July, 1984

CONFIDENTIAL

CONFIDENTIAL

/cc NO

PRIME MINISTER

FINANCIAL OBJECTIVES FOR LONDON REGIONAL TRANSPORT

I have seen your Private Secretary's letter of ~~28~~ June with your comments on the draft objectives letter to the Chairman of LRT.

I shall certainly want to set separate subsidy targets for bus and underground services when, later on, the separate operating subsidiaries have been properly established. The requirement for the subsidiaries to publish separate accounts will ensure that the financial performance of each is transparent.

I certainly want to specify stiffer efficiency targets than are contained in the preliminary plans they have given me, but I want to give Keith Bright the opportunity to come forward himself with more demanding aims. Their preliminary plans already assume major reorganisation and staff cuts of 8,000 on 58,000, and that is the performance on which they will need to improve. Given this, I propose in my letter to him to say:

> "You have told me that you can achieve a reduction in unit costs of two and a half per cent a year, in real terms, over the next few years. I look to you, if possible, to do better than that, and I shall want to review the target with you within the next twelve months".

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Arthur Cockfield in his letter to me of 20 June seemed to suggest that the target should be a 2½% reduction in cash terms. This will be equivalent to a real terms reduction of some 7% (assuming 4½% inflation). I do not think a target of that order would be realistic at this stage.

Your third point was about emphasis on competition. Given the relatively fixed nature of the underground network and its particular cost structure, I believe the best opportunities lie in a radical review of the bus operations and competition in supply of bus services for which we have provided in the Act. The objectives which I propose for the bus system - set out in paragraph 9 of the letter to Keith Bright - are intended to bring this about by cutting out excess capacity, exposing costs and bringing competition to bear. At the same time we must recognise that there are genuine advantages in measures like Travelcards in attracting more custom and reducing costs of ticketing. I suggest we might take account of this point by adding to the end of paragraph 6 of the letter:

> "You will also want to consider how your fare scale can best be set to reflect the different cost structure of the bus and underground networks."

Lastly there is the question of severance costs. The management face the problem of having to plan for large-scale job losses over the next three years, including some 3½ thousand redundancies. It has now become apparent that London Transport introduced a very generous redundancy scheme in February. Assuming most of those who go are the older ones with long service, the payments could average £13,000. I shall certainly set out to see that LRT secure their changes at minimum cost, but this expensive commitment that we have inherited would be difficult to refuse now, and will inevitably push up the price of change.

I shall now seek to secure Keith Bright's commitment to the letter so that I can publish it soon.

I am copying this minute to members of E(NI) and to Sir Robert Armstrong.

NICHOLAS RIDLEY
10 July 1984

Transport, LRT 11/83



CONFIDENTIAL

CC NO

2 Mr S

NBPM AT 10/7

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

10 July 1984

Dear Patrick

Thank you for your letter of 4 July about LRT and TSG.

I agree that we will have to be very careful about handling LRT fare increases and service cuts in the context of the Abolition Bill. You do not need me to tell you how difficult the situation will be. As you know, the GLC were able to keep their precept artificially low this year and however tightly we set their expenditure limit - and I agree with Peter Rees that we should make it as tight as possible - it looks as though we shall have to allow a GLC precept next year which is higher than this year's even though they are no longer responsible for public transport. The GLC precept plus the LRT levy could therefore be 30% or more higher than this year's GLC precept. These increases will follow soon after the LRT fares increase, which is planned for 1 January. Although I am aiming to reduce LRT's revenue support by some £60m compared with this year the GLC will claim that the transfer of responsibility has led to an increase in the burden on ratepayers.

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Final decisions on LRT's finances will have to wait for the end of the public expenditure round. But there are two decisions which cannot wait until then. One is what we tell the local authority associations later this month about the size of the PES transfer for LRT and our decision on the aggregate exchequer grant (AEG). The other is the size of the January fares increase, which has to be settled in September. Although I hope that it will be possible to achieve a substantial reduction in LRT's figures, it would not be prudent for us to take decisions now on an over-optimistic basis.

As I see it, the choices now before us are:

i. to increase the resources available to LRT from the total of local authority current expenditure to £152m to meet their transitional costs so as to keep the January fares increase in single figures, and to provide enough cash to meet the transitional costs plus a third of the rest of LRT's budget, say £130m in total;

ii. to find the transitional costs by increasing fares by 12% - 15%, and to restrict the Exchequer contribution to £101m, as you suggest, with a correspondingly higher ratepayer levy - this would imply a 70% ratepayer contribution, requiring an affirmative resolution next January, which would certainly not be politically tolerable; or

iii. increase the resources available to LRT as in i. but accept that we might have to allow them to borrow up to, say, £50m for the next two years

to hold down the transfer from AEG and the ratepayer levy; we had not envisaged such a major element of borrowing, which would be difficult to justify for an unremunerative undertaking and would involve increasing fares by perhaps 3% more over the period to meet the interest charges.

These figures make no allowance for the Exchequer contribution to the GLC's share of the Docklands Light Railway and the electrification of the North Woolwich Line. These projects would have been grant-aided by me had the GLC continued to be responsible and I shall need to pay this grant to LRT now that it has taken over from the GLC. We have to find the cash to support these projects, whether we call it part of TSG or an addition to the LRT grant.

So far as TSG is concerned, I am grateful for your agreement that we should in future stabilise the grant and that officials should consider whether TSG should continue to be included in the AEG totals. But it would be totally unsatisfactory to continue with a threshold. The reduction in the TSG quantum over the last three years has certainly exacerbated the problems, but any grant with a high marginal rate over a threshold is bound to be unstable because small changes in expenditure by an authority from one year to another are bound to lead to much bigger changes in grant. The only way I can achieve our policy objectives with a limited amount of grant is to be selective about the expenditure I accept for grant. But there are limits both politically and legally to how selective I can be. I should certainly be straining these if I had to provide for the docklands commitments out of the £175m available.

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I am copying this letter to the Prime Minister, to members of E(NI) and E(LA), and to Sir Robert Armstrong.

NICHOLAS RIDLEY

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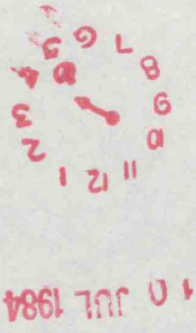
Transport 11/83 London Regional



CE NYO

NDPM

MT 5/7

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Nicholas Ridley MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

4 July 1984

Dear Nicholas

LONDON REGIONAL TRANSPORT: OBJECTIVES

Thank you for your letter of 19 June to Nigel Lawson; I understand that our officials have subsequently discussed the issues. I have also seen the Prime Minister's comments in Andrew Turnbull's letter of 28 June.

I too am generally content with the objectives which you are proposing for LRT; and in particular I believe that you are right to go for a tough target for revenue support. We need to give LRT management clear incentives to root out inefficiencies and, on this basis, I am prepared to accept the figure of £95 million as the target for revenue support for LRT as a whole in 1987-88.

I have more difficulty with your intention for LRT in the intervening years. You talk, for example, in your covering letter about LRT's investment not being artificially constrained. As Arthur Cockfield cogently pointed out in his minute of 12 June to the Prime Minister on BR East Coast Main Electrification, there are two aspects to every capital project "is it worthwhile?" and "can we afford it?". LRT cannot be exempted from the normal scrutiny of its investment projects and it would not be fair to other colleagues to pre-empt the IFR and the Public Expenditure Survey by earmarking funding for LRT. To the extent that LRT can find any extra worthwhile investment from increased efficiency and productivity, a much easier decision emerges.

I can however accept that LRT may need more than the existing PEL-related revenue support of £132 million planned for 1985-86 to meet transitional costs that might arise from redundancy payments. If you were able to persuade colleagues that up to an extra £20 million could be switched to LRT from local authorities spending within the White Paper Planning Totals I would have no objection, provided it were ring-fenced to

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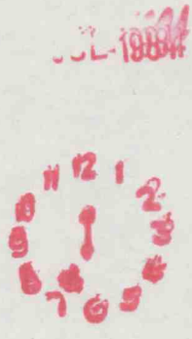
be spent only on transitional costs. Clearly no more should be spent than is necessary.

Copies of this go to the Prime Minister, members of E(NI) & Sir Robert Armstrong.

PETER REES



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FILE WITH AT CC NO.

NDPM AT 5/7

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

4 July 1984

Dear Secretary of State

Thank you for copying to me your letter of 19 June to Nigel Lawson about the financial objectives of LRT, and your letter of 25 June to Peter Rees about TSG. Perhaps I may comment on both letters together.

will request if required

LRT

When Peter Rees and I agreed that the Exchequer should contribute as much as ⅓ to LRT's budget, that was on the express condition that the LRT's budget for 1985/86 would be at, or very close to, £290 million. On that basis, as we agreed, the implied corresponding reduction in AEG would have been £97 million, of which £80 million was to come from TSG and £17 million from block grant. Since then we have of course decided to move to a capital-only TSG, and this means that the offset to AEG to take account of LRT must come off block grant entirely. On 15 June, your officials proposed a reduction in AEG of £101 million. Even though that is £4 million higher than the figure subscribed to last November, I would be prepared to agree to it. Similarly, on PES provision, I would be prepared to agree to the £132 million deduction from the local authority current expenditure provision which our officials have discussed.

I now see, however, from your letter that you want to increase LRT's budget by a further £20 million in respect of severance payments, and by an unspecified amount in respect of extra capital expenditure. I should make it clear that I am not prepared to agree to reducing AEG by more than £101 million; nor do I think it reasonable that the additional PES cover for this proposed increase in the LRT budget should be found from within the local authority current expenditure provision which we are discussing in the E(LA) context. If therefore Exchequer assistance to LRT is to be increased as you propose, in my view neither block grant, nor local authority current expenditure PES provision, should be reduced to accommodate that.

TSG

At our meeting on 23 May it was left that you would consider the implications of setting TSG at £175 million. This was, I think, a very generous figure. If London is excluded from the calculations, and if a capital-only TSG is set pro rata to the proportion of accepted expenditure accounted for by capital schemes, the resultant TSG figure is about £115-£120 million. So even with TSG at £175 million block grant is already

London Transport: TRANSPORT Nov 1983.

£50 million lower than it might otherwise have been. I must stress that all reductions in AEG to take account of LRT can only come from block grant. On that basis I feel unable to agree the extra £25 million TSG which you propose in your letter of 25 June. The better course would still seem to me to be to continue with thresholds, and pay higher marginal rates of grant on expenditure above them. A major reason for the fluctuations in TSG entitlements in recent years has been the large year on year changes in the TSG quantum: I agree with you that if we could agree to stabilize year on year grant changes, that would be an important step forward.

Two technical points. I am content that our officials should consider whether TSG should continue to be included in the AEG totals. Second, I am content with the terms of your draft consultation paper on the future of TSG, subject to one minor change which has been given to your officials.

Finally, we must be very careful about the presentation of all this. LRT's actions will have a direct bearing on people's attitudes towards the main abolition Bill. If LRT are to introduce their fare increases or to make service cuts, the announcements will need to be very carefully worded and timed, to ensure that the abolition of the GLC is not to be blamed by the general public.

I am copying this letter to the Prime Minister, to members of E(NI) and to Sir Robert Armstrong.

Yours sincerely

AH Davis

for

PATRICK JENKIN

Approved by the SAS and signed in his absence

- 4 JUL 1984

The Rt Hon Nicholas Ridley MP

4.27

CONFIDENTIAL

CC/NO

NDPM

AT 29/6

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

29 June 1984

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Transport

Dear Secretary of State

COMPENSATION TO DISMISSED MEMBERS OF LONDON TRANSPORT

You wrote to me on 20 June about the compensation which you propose should be paid to the members of London Regional Transport.

I entirely agree with you that we should not pay any more to the LRT part-time members than we are strictly obliged to do. However, I am concerned that your specific proposal may be held to breach the terms and conditions under which the individuals concerned were appointed. Since I have not seen the documents, I cannot, of course, take a view, but you will need to be confident that your proposals would stand up in court if a suit were brought. If so, well and good. But if not, I can see no alternative but to apply the usual practice. No doubt you will want to consult the Attorney General as a matter of urgency.

Copies go to the Prime Minister, the other members of E(NI), the Attorney General and Sir Robert Armstrong.

Yours sincerely,

Margaret O'Mara

NIGEL LAWSON

(approved by the Chancellor and signed in his absence)

Transport Nov-83

London Transport

F I L E (RAMABK) R M

E(NI) HMT DTI D. Energy
DOE (D.Trans) D.Emp
SO Chief Sec CO
CDL

B/c: Mr. Young

10 DOWNING STREET

From the Private Secretary

28 June, 1984

FINANCIAL OBJECTIVES FOR LONDON REGIONAL TRANSPORT

The Prime Minister has seen your Secretary of State's letter of 19 June to the Chancellor of the Exchequer and the draft letter to the Chairman of London Regional Transport which was attached. She was broadly content with the proposals but has asked for the following points to be considered.

First, is there merit in setting subsidy targets for buses and underground separately; this would be consistent with the intention to establish separate bus and underground subsidies and would enable costs, revenues and deficits to be identified more clearly.

Secondly, she wonders whether the cost reduction target is sufficiently ambitious given the known inefficiency that LRT has inherited. Faster reduction in costs would allow the subsidy savings to be achieved with smaller fare increases than the 12 - 15% suggested. She agrees with Lord Cockfield that the reduction in unit costs should be specified in terms of cash.

Thirdly, she wonders whether there should be more emphasis on competition between buses and underground by allowing fares to reflect their different cost structures and less emphasis, under the guise of co-operation, on equalisation and cross-subsidy. There is no objection, however to co-operation in the sense of better linking of the various services.

Finally she has noted that £20 million for three years for redundancy payments works out at about £7,500 for each of the eight thousand jobs lost. This is about twice the going rate in private sector manufacturing.

I am sending a copy of this letter to the Private Secretaries to the members of E(NI) and to Richard Hatfield (Cabinet Office).

(A. Turnbull)

Miss D. Nichols,
Department of Transport

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PRIME MINISTER (i)

FINANCIAL OBJECTIVES FOR LONDON REGIONAL TRANSPORT

Bob Young suggests:

(i) separate targets for the subsidies for buses and underground;

(ii) More ambitious cost savings. Lord Cockfield believes that the 2½% reduction in unit costs should be in cash terms ie 6-7% in real terms. Bob Young thinks even more can be achieved which should

(iii) allow the subsidy savings to be achieved with smaller fare increases than the 12-15% suggested by Mr. Ridley.

(iv) More emphasis on competition by allowing fares for buses and the tube to reflect their different cost structures and less emphasis, under the guise of cooperation, on equalisation and cross subsidy. (There is nothing wrong, however, in coordination in the sense of better linking of the various services.)

(v) Severence costs to be accounted for separately and not recovered through fares, as proposed.

Agree these suggestions be put to Department of Transport?

Yes AT

26 June 1984

VSCADL

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25 June 1984

MR TURNBULL

c Mr Redwood

FINANCIAL OBJECTIVES FOR LONDON REGIONAL TRANSPORT

We strongly support Mr Ridley's intention to set and publish objectives for LRT. But his proposals could be better defined. We suggest the Prime Minister might voice the following questions and observations:

1. Is it right to set an overall subsidy target for LRT?

   The creation of LRT provides for the creation of separate bus and underground subsidiaries - wisely so, since the two do not perform equally well or badly. For instance, in 1982, London Transport buses soaked up five times more subsidy than the underground, and still produced a deficit twice as large. The overall target of £95 million looks commendably tough, but it might be capable of further improvement.

2. Should there be less emphasis on co-operation between transport modes and more on competition?

   Outside London, Mr Ridley is going hard after competition between bus undertakings, and between bus and rail. Within London, travellers have the underground as a third choice. The last thing we want

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is a bus-rail-tube fares cartel masquerading as co-ordination.

3. Would competition overcome the threatened rise of 12-15 per cent in fares? We regard a rise of that magnitude as politically unwise, and probably unnecessary. There must surely be scope for differentiation in fare increases?

4. What does a 2.5 per cent per annum fall in unit costs actually mean?

Lord Cockfield's observations are entirely relevant. We hope Mr Ridley means a 2.5 per cent fall in cash terms, which is equivalent to around 6-7 per cent per annum in real terms. The scope for staff reduction at London Transport seems to us way beyond the 8,000 forecast. From LT's 1982 accounts, we calculate that the bus operation could shed 5,000 staff, and the underground 4,000 now just to get back to 1978 levels of productivity. Investment in more automation is one way of lowering unit costs - but what about competition?

5. If there is a case for treating severance costs separately (and we think there is) do they have to be so high?

£20 million per annum for 3 years equates to an average of £7,500 per person for the 8,000 job losses forecast. This is nearly twice the going rate for (say) private sector manufacturing.

6. We think that paragraph 2 of Mr Ridley's draft objectives for Keith Bright "Tasks for London Regional Transport" should be improved. By their place in the text, these are prominent points. We see the main task not so much as the improvement of services - we have buses and tubes in profusion already - but as a better matching of supply to demand. We suggest replacing the first two tasks with:

"- to match the supply of bus and underground services in London to demand at acceptable levels of quantity, quality and value for money;

- to reduce costs and the call upon funds from taxpayers and ratepayers".

Paragraph 6 of the draft objectives will of course need completely rewriting if the Prime Minister and Mr Ridley agree with the points above.

ROBERT YOUNG

ANNEX

HOW TO HOLD LRT FARE INCREASES TO 6%

1. In 1983, LT traffic revenue was £267m (buses) plus £287m (underground) £554m

2. Assume 6% increase and (for the sake of simplicity) no change in ridership. The income increase is ..... £ 33m+

3. Deduct Mr Ridley's proposed cut in revenue support of £(190-132)m ..... £ 58m-

4. LRT must find savings of ..... £ 25m

5. Some options:

   i. withhold any wage/salary increase, or make increases wholly conditional upon productivity. There are possible savings of £18m here.

   ii. Go for a straight redundancy of 2,500, which would save just under £25m. Even under GLC control, LT took out 1,600 people in 1982 and 700 in 1983. A cut of 2,500 is only 4.4%.

   In any search for staff cuts we suggest:

   - more one man bus operations
   - a squeeze on bus garage/workshop staff (the bus fleet is down by 13%, but maintenance staff by only 4%, over the last five years).
   - a squeeze on bus traffic staff and on administrative/training staff (4,200 people - one for every 4½ drivers/ conductors)
   - a squeeze on underground engineering and traffic control staff (19,300 of them to 4,000 train drivers and guards, a far worse ratio than on BR)

   iii. Chase fraud harder. LT estimate losses from fraud at £15m on buses and £10m on the underground in 1983.

R.Y.

ROBERT YOUNG

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cc NO

NDPM BF 21/C

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

20 June 1984

Dear Nigel

COMPENSATION TO DISMISSED MEMBERS OF LONDON TRANSPORT

My London Regional Transport Bill includes provision, as we agreed, that the existing members of the London Transport Executive continue in office as members of London Regional Transport following the appointed day (which I hope will be 2 July) but that during the following three months I may remove any of them from office, without notice, and without assigning cause, and that "London Regional Transport shall pay to that person compensation of such amount and on such terms as the Secretary of State may with the approval of the Treasury determine". I expect to have to remove all those members recently appointed by the GLC, immediately on the appointed day. I am advised that given the form of the provisions in the Bill - which are of course the forerunner of the general legislation envisaged - I have to consider the amount of compensation appropriate to each case individually. I also understand that the Treasury advice is very strongly that I must follow the normal practice which involves my making a judgement on the prospects of each individual of obtaining alternative employment, and the sum then arrived at will be adjusted by the Inland Revenue and the Government actuary for tax and actuarial reasons.

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I enclose two sheets. The first sets out the facts about each of the individuals. The second sets out some guesses about the approximate compensation each might get on a judgement about their individual prospects of employment. The table shows how the sum of compensation will be greatly influenced by a judgement about employment prospects. Of course we shall have to make a determination of this kind for the full-timer, Arthur Latham.

I cannot see that there is any real or defensible content in making such a judgement about a job which is on the basis of a day a week. How can I decide that Mr Smith, a full time union official, has no prospect of an alternative day a week job, or a 10% prospect or a 20% prospect? Or that Mr Rodker, a self employed business man, has a 75% prospect, or a 50% prospect, or a 30% prospect? I understand that there are no direct precedents.

Calculations of this kind seem to me indefensible in the circumstances. I would very much prefer an approach which treated each of the part-timers alike (except the one whose appointment expires in September) and gave them a standard sum of say 3 months salary or 6 months salary without abatement. That seems to me much more appropriate in the circumstances. I should be glad to know whether you would agree to determinations on that basis.

I am sending copies of this to the Prime Minister, the members of E(NI), the Attorney General and to Sir Robert Armstrong.

There will be strong feelings in the party about paying any of these people anything. To start with!

Yours ever

NICHOLAS RIDLEY

FRTS

MEMBER	TIME COMMITMENT	APPOINTMENT EXPIRES	SALARY	AGE	PREVIOUS EXPERIENCE
Mr A Latham	Full-time	19.7.88	£17,500 NB Mr Latham is also a member of the LT pension scheme and this will have to be taken into account in asessing the amount of compen-sation.	52	Further education lecturer 1967. MP 1969-1979. Chairman, Greater London Labour Party. Before becoming a lecturer he worked for a business systems firm.
Ms M Amory	2 dpw	8.11.88	£7,000	26	Medical secretary then secretary with NUJ.
Ms K Hamilton	1 dpw	19.7.88	£3,500	35	Worked in publishing. Employed by BR between 1980-82 to write their business history. Lectured on transport history and engaged on writing serial on transport history for TV. Member of the Wood inquiry on heavy lorries
Ms E Lewin	2 dpw Then 1 dpw	to 6.9.84 to 19.7.88	£7,000 £3,500	75	Author of articles on public administration and finance. "Long time campaigner for improvements in London's transport".
Mr J Palmer	1 dpw	6.9.84	£3,500	?	Journalist
Mr E Rodker	2 dpw Then 1 dpw	to 6.9.84 to 19.7.88	£7,000 £3,500	45	Self employed businessman
Mr L Smith	1 dpw	19.7.88	£3,500	60	Executive officer in TGWU

GUESSES

MEMBER	SALARY	ASSUMPTION ON EMPLOYMENT PROSPECTS	ALLOWANCE FOR INFLATION AND CASH PAYMENT (x 3.9) AFTER	ALLOWANCE FOR TAX (- 30%) AFTER	ALLOWANCE FOR AGE (- 10%) AFTER
Mr A Latham	£17,500	50%	£34,000	£24,800	
Ms M Amory	£ 7,000	75%	£ 6,800	£ 4,760	
Ms K Hamilton	£ 3,500	75%	£ 3,400	£ 2,480	
Ms E Lewin	£ 7,000 to 6.9.84 Then £3,500	0	£14,000	£ 9,800	£8,820
Mr J Palmer	£ 3,500	0	£ 650	£ 455	
Mr E Rodker	£7,000 to 6.9.84 Then £3,500	75%	£ 4,000	£ 2,800	
Mr L Smith	£3,500	0	£13,650	£ 9,555	

Note:

All salaries except that for Mr Palmer (whose appointment was due to expire in September of this year) have been increased by 3.9 to allow for inflation increases over the four years of the appointment offset by the discount for cash payment.

Trasport Nov 83

London Trasport

CONFIDENTIAL

CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Chancellor of the Duchy of Lancaster

20 June 1984

Dear Nicholas,

FINANCIAL OBJECTIVES FOR LONDON REGIONAL TRANSPORT

You copied to me your letter of 19 June to Nigel Lawson.

There is a risk of confusion or misunderstanding about what is meant by a "2½% a year reduction in unit costs".

Where costs increase a 2½% increase in cash is an increase of less than 2½% in real terms.

But where costs fall a 2½% reduction in cash is a reduction of more than 2½% in real terms.

Presumably we mean 2½% reduction in cash. Possibly we should say so: otherwise people may draw the comfortable but wrong conclusion that we mean in real terms.

I am copying this letter to Nigel Lawson, the other members of E(NI) and Sir Robert Armstrong.

Yours,
Arthur

COCKFIELD

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London SW1

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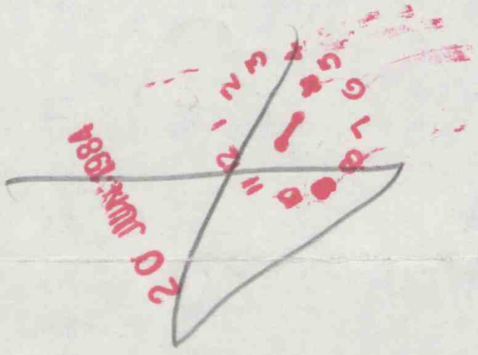
~~Local Govt Rates~~

Transport: Land Transport





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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
LONDON

19 June 1984

Dear Nigel

FINANCIAL OBJECTIVES FOR LONDON REGIONAL TRANSPORT

I am writing to seek your agreement, and the agreement of colleagues, to setting medium-term objectives for London Regional Transport at the inception of the new organisation.

I want the target for revenue support to be as tough as we can realistically make it. This year the GLC will be paying revenue support of £190m. I propose a target of £95m for LRT for 1987/88. That will take us to the end of Dr Bright's current term of appointment. This would be consistent with my advice to Metropolitan Counties to plan to reduce bus revenue support to PES levels over the next 3 years.

I should not want to conceal from colleagues the difficulty of a target of this kind. Its achievement will depend crucially on a number of factors. First and foremost it relies on LRT delivering at least the 2½% a year reduction in unit costs which they believe to be achieveable by holding down wages and reducing total manpower by nearly 8,000, including 3,400 redundancies. This in turn depends on a programme of cost-saving investment which will involve, for example, extending single manning of buses and trains, automating ticket sales and restructuring the rail and bus engineering facilities.

It is crucial to the attainment of our objectives for revenue support that this investment should not be artificially constrained.

The path we take towards the objectives will determine the pattern of fare increases. This is the major political problem we face. Our earlier discussions assumed that revenue support for 1985-86 would be £132m, based on the 1984-85 PEL. To get revenue support down to this figure, fares would have to rise by at least 12-15%, even if we bring the timing forward to 1 January, 1985 in line with BR. The size of the fares increase would become public knowledge in the Autumn. It would be very damaging politically and would be strongly opposed by London members in Parliament, as was made very clear during the passage of the LRT Bill. It would also be far out of line with British Rail's intended 6% increase.

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We must recognise, as we did for British Rail, the problem of transitional costs. Severance payments will cost LRT in the region of £20m a year. These are not large sums in absolute terms. But they have a substantial impact on fare levels and I think it would be wrong to ask farepayers to bear the brunt of these short-term costs. If we can agree temporary additional funding of this order, Keith Bright might just be able to keep the 1 January fares increase within single figures.

I propose to set out our objectives for LRT in a letter to Keith Bright, just as I did for Bob Reid. I enclose a draft. I am also proposing to write to Keith Bright and Bob Reid jointly about London underground and surface rail services, developing our theme of better co-ordination of public transport in London. These letters would be made public.

To sum up, I seek your agreement and that of colleagues to setting objectives for LRT on the basis I have described, and in particular to the specific target I propose for revenue support and to special help towards the transitional costs of redundancy payments. I believe that, with that help, Keith Bright will accept the challenge to meet the £95m target for 1987/88.

I am copying this letter to the Prime Minister, to members of E(NI) and to Sir Robert Armstrong.

NICHOLAS RIDLEY

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DRAFT LETTER TO THE CHAIRMAN OF LONDON REGIONAL TRANSPORT

1. Enactment of the London Regional Transport Act starts a new stage in providing better and more efficient public transport for the capital city. The Act sets the framework of duties for you and your colleagues, and prescribes how you are to publish your plans and strategies and consult on them with local authorities and others. Close working with British Rail is specially important, and I am writing separately to you and to the Chairman of the British Railways Board about that.

Tasks for London Regional Transport

2. Building upon the White Paper "Transport in London", I see four initial tasks for the new organisation:

- to improve bus and underground services for London within the resources available and to make the service more attractive to the public;
- to reduce costs, including fraud, and the call on taypayers' and ratepayers' money and generally secure better value for the community;
- to involve the private sector in the provision of services where that is more efficient and to make better use of publicly owned assets, including the sale of public assets which are no longer required;
- to promote better management through smaller and more efficient units with clear goals and measureable objectives.

3. This letter sets out the objectives I want you to pursue.

Costs, Subsidy, Fares and Investment

4. I want you to submit for my approval within an investment allocation that will be agreed by the Government, a programme of investment to modernise the public transport systems, making them more attractive to passengers and more efficient. In addition to necessary renewal of the equipment, you will want to bring forward as rapidly as possible investments which will save costs, and a steady programme to improve facilities for passengers, including inter-changes between bus, rail and underground services, long distance coaches, taxis and private transport. I shall expect you to secure this investment at the best price through competition wherever possible.

5. To reduce the present excessive call on ratepayers and taxpayers, the burden of revenue support will have to be reduced. To achieve this, a proper priority for investment is vital. I look to you to make a reduction in unit costs of a minimum of two and a half percent per year for the next three years. The most effective use of labour, and keen purchasing in the market, will both be important.

6. The improvement in efficiency can make a large contribution to achieving your prime financial target, which will be to reduce the level of revenue support from ratepayers and taxpayers to £95m in cash in 1987/88. Given control of costs, this does not in any way imply a programme of large fare rises. After any initial increase to redress the balance I would expect you to maintain a broadly stable relationship between fares, prices

generally and the fares on the British Rail London Commuter services.

7. In the light of these objectives and your plans to achieve them the Government will decide each autumn the provision for your total of external finance for the coming fiscal year; and your investment allocation.

Organisation and Control

8. I look forward to receiving by the end of the year your proposals under the Act for establishing separate bus and underground subsidiaries, and separate companies for other parts of your organisation. These should provide for the clear identification of costs and performance and clear responsibility for them, and for the involvement of private capital where appropriate.

9. In the case of the bus subsidiary, the organisation will need to allow your Board to set clear objectives for devolving accountable management to smaller units, for reducing costs per bus mile, for improving the match between supply and demand so as to increase average bus loadings, and for carrying forward vigorously a plan to bring in other operators, both public and private, to compete for the provision of services.

Disabled People

10. The Act requires you to have regard to the needs of disabled people and to report annually on the steps you have taken to cater for them. I expect you to keep their requirements in mind in developing your equipment, and co-operate with those financing

special services for the more severely disabled. I hope that one member of your Board can provide a focal point for considering the needs of disabled people.

Conclusion

11. In your efforts to provide better value for money in public transport you will have the fullest support of the Government and I am sure of the travelling public and of ratepayers. You will be strengthened by advice from the new London Regional Passengers' Committee covering bus and rail services.

AI No further action needed

We seem to be having some problems with the attached.

You are awaiting the CST's response to Mr. Ridley's Concessionary Fares paper. CST's office seem reluctant to give us any idea of when or even if, CST will be writing.

Is there any urgency on this? If so should we, or can you, have a word with John Greve.

17/4

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Ref. No: TPT(84)8
Date: 29.03.84

LONDON REGIONAL TRANSPORT BILL

CONCESSIONARY FARES

Conservative Research Department,
32 Smith Square,
London SW1
Tel. 222 9000

Enquiries on this brief to:
Jeremy Moody
Extn. 2416

LONDON REGIONAL TRANSPORT BILL AND CONCESSIONARY FARES IN LONDON

1. Provisions for a Voluntary Scheme

As envisaged in the White Paper on Public Transport in London, the London Regional Transport Bill (clause 48) provides all the powers needed by London's local authorities to organise, on a voluntary basis, travel concession arrangements. It empowers the GLC to continue its existing scheme for old age pensioners and the boroughs to continue their joint scheme for disabled and blind people. It enables the boroughs to continue to provide a joint scheme for all three categories of eligible persons when they take over responsibility from the GLC.

The GLC and the boroughs are already allowed to arrange with LT for the provision of concessionary travel arrangements. They can also provide concessionary travel on BR but that has to be arranged through LT. Clause 48. goes further and allows the GLC and the boroughs to arrange directly with BR for the provision of travel concessions on BR services. Another addition is that the local authorities will be able to arrange concessionary travel on services provided by independent operators.

The Conservative dominated London Boroughs Association agreed in October 1983 in principle to a voluntary scheme.

2. The Free Travel Scheme

It remains the Government's view, a view shared by the last Labour Government - that it is for the local authorities to take decisions about concessionary fare schemes and to be responsible for funding them.

The Government believes that local authorities will agree a voluntary scheme readily and freely. But this should not be expected for some time. First, the London boroughs cannot possibly know now what the situation will be in two years' time when they will have to resume responsibility for concessionary fares. Second, Labour boroughs in the Association of London Boroughs have not been prepared to enter into the discussions that have been taking place with the other authorities in the London Boroughs Association.

In these circumstances, the Government decided to put the matter beyond all doubt and propose an ultimate safeguard for pensioners in London. The new clauses will have the effect of imposing a uniform scheme throughout London if the London boroughs cannot agree. This assurance will lay to rest the fears that have been aroused by the GLC's scaremongering allegations that old people will lose their concessionary travel passes.

3. The New Clauses

The new provisions will place on LRT - if no uniform voluntary scheme is provided - the duty to provide a travel concession scheme for pensioners, disabled and blind people in London. The scheme will allow permit holders free travel on LRT services at all times at weekends and Bank Holidays and at off-peak times on weekdays (that is between 9.30 am and 4.30 pm and after 6.30 pm until 1.00 am on the following morning). It will apply to travel on both bus and Underground services and any services provided by private operators under agreements with LRT.

The blind will have free travel at any time on all services.

There are 3 New Clauses. The first (clause 2) establishes the details of the free travel scheme. It places a duty on LRT to provide the scheme if by the beginning of any year it appears to them that a uniform voluntary scheme will not be in place throughout the following financial year. This clause establishes the nature of the statutory scheme by specifying the categories of people to whom it is to apply, the services on which the concessions are to be available, the nature of the concession and the times at which it is to be available to those eligible for it.

The second New Clause (New clause 3) provides for various administrative procedures governing the free travel scheme. It establishes the way in which LRT are to make permits available to the London borough councils and the basis on which LRT will charge for them. It specifies how and when the issuing authorities are to pay LRT for permits which they issue and provides a method by which they will account to LRT for the use of the permits supplied to them.

The third New Clause (New clause 4) lays down the circumstances which will have to be satisfied in order to bring the new statutory scheme into effect. The purpose of this third clause is to specify exactly what is meant by "uniform". The voluntary scheme must provide the same benefits to all those eligible in London within the same category of persons, and must apply the same conditions as to periods of validity.

4. Are the Concessions Less Generous than at Present?

This is the first time any Government has written into statute a comprehensive scheme guaranteeing concessions for London's pensioners. At present there is no statutory scheme whatsoever. The GLC argue that the statutory scheme should be identical to the current voluntary arrangements. Yet it is totally unreasonable to place a statutory burden on local authorities which will compel them for all time to finance the most expensive possible scheme, in the face of all the other calls on them for finance. Individual boroughs can continue to exercise their judgement by providing additional facilities under clause 48, even if the statutory scheme comes into being.

5. Charges

Under existing legislation, all local authorities have power to impose terms, limitations or conditions (which of course includes charges for permits) as they think fit in offering travel concessions. The Government would not want the operation of the reserve scheme, if brought into effect, to be frustrated by boroughs making exorbitant charges. So, as a further safeguard to pensioners and disabled people, the New Clauses include unique powers to make the imposition of any terms, limitations or conditions subject to the Secretary of State's approval.

JM/PAC
32 Smith Square,
London SW1

Conservative Research Department

29th March 1984

O 10

cc Press off

SECRETARY OF STATE FOR TRANSPORT

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

27 March 1984

The Rt Hon Margaret Thatcher MP
House of Commons
London
SW1

R28/3

Prime Minister (4)

AT 28/3

Dear Margaret

You may like to have a copy of the enclosed press notice which we are issuing today.

Yours ever

Nicholas

NICHOLAS RIDLEY

SAVING LONDON TRANSPORT - SOME GLC MYTHS EXPLODED

Nicholas Ridley, Secretary of State for Transport today assured London travellers that there were no plans to close any London Transport routes or stations.

He welcomed the campaign to save London Transport as it was the Government's aim to save London Transport from the political interference it has suffered under the GLC.

Speaking during the committee stage of the London Regional Transport Bill, Mr Ridley said:

"It is unfortunate that in this campaign the facts and figures quoted are so misleading.

"There is talk of a hit list of stations and routes that will be closed. We have no such list. We have no plans to withdraw any services."

Mr Ridley said that the GLC has alleged in the National press that one in six buses are at risk and that 20 to 30 tube stations will be closed. He categorically denied these allegations.

"No one can say that bus and tube services will not change before the year 2000. My hope is that there will be changes as London Transport provides extra services to meet the changing needs of travellers. Even the GLC has occasionally allowed London Transport to match services to demand.

"On finances I have made it plain that the level of revenue support agreed upon by government for 1984/85 is £125 million. With the £40 million of subsidy saved by London Transport in 1983/84 this provides what London Transport themselves assessed they would need to implement their three year plan to hold fares in line with inflation.

"But the GLC insisted on a further fares reduction in real terms costing another £25 million. They then increased costs by a further £21 million and are blocking efficiency improvements.

"On capital, we have approved £175 million in total - very close indeed to London Transport's budget. In total, this means £300 million, a sum which London Transport themselves have indicated is enough for them if only their attempts to cut costs were not being frustrated by the GLC."

Press Enquiries: 01-212 0431

Public Enquiries: 01-212 3434
ask for Public Enquiry Unit

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file

MR TURNBULL

cc Mr Redwood
Mr Letwin

LONDON REGIONAL TRANSPORT - CONCESSIONARY FARES

I am minuting you purely for your own information in connection with Nicholas Ridley's letter (dated simply 'March') to Peter Rees. The question of concessionary fares and LRT will occur again, possibly quite soon.

It is unfortunate, but unavoidable, that Mr Ridley has to take a position on concessionary fares in London ahead of conclusions from the wider review of bus policy which is now in process. We recognise, of course, that the issue is politically very sensitive.

Nevertheless, we suggest that any commitments Mr Ridley makes:

(a) should be confined to LRT;

(b) should be made subject to review after, say, two years of operation;

(c) should not prevent the Boroughs from charging beneficiaries enough to cover all administrative costs and (if the Authorities so wish) some of the substantive costs as well.

If we make open-ended commitments in London and allow it to be understood that some sort of read-across will apply to the Mets and Shires we shall seriously curtail the scope for bus subsidy reduction elsewhere in the UK.

The wider review of bus policy mentioned above is concentrating on deregulation, competition and the impact of both on subsidy. Concessionary fares are quite a large part of bus subsidy - some £200m in 1983/84 against general revenue support of £500m. Because of the peculiar way in which concessionary fare benefits are provided, subsidy to them inevitably leaks into general subsidy. The custom of

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every local authority in the country is to pay concessionary fare subsidy to bus operators, not to bus passengers. This is akin to subsidising greengrocers so that they can provide concessionary sprouts to old age pensioners. What we shall try to do in the bus policy review is to see if acceptable means can be found of moving subsidy across to the users. If such a means can be found, it might have to await the abolition of the Mets, but at that stage we might wish to apply it to LRT.

R.Y.

ROBERT YOUNG

Policy Unit
16 March 1984

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London Transport

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cc DO

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

BF with Treasury response (Treasury responded by phone direct to DoT) DoT table 3 new clauses - see CRD document letter on file

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

March 1984

AT 1714

Dear Peter

CONCESSIONARY FARES

Having decided that the right thing to do was to include provision in the LRT Bill for a uniform concessionary fare scheme in the event of boroughs failing to agree, we need to agree before the new Clauses are taken in Committee how I am to deal with some points that will undoubtedly be pressed. I am having a meeting with our backbenchers on Thursday evening and they too will want to know about our thinking.

I see three points being pressed particularly hard. They are:

a. what level of charge would be regarded as acceptable?

b. how are the financial consequences of an imposed uniform scheme to be recognised in the block grant?

c. will concessions applying to BR be eligible?

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Officials have prepared a factual note* setting out some of the arithmetic and discussing what is possible in relation to the boroughs. I intend to be drawn as little as possible on the question of charges, on the basis that this is for the boroughs to decide. Although we will be inviting a continuing hostile campaign, I intend to try and get away with not mentioning any figure, which could only be a hostage to fortune.

On grant implications for local authorities, I think we need to clear up quickly whether we shall consider sympathetically disregards against targets, or not.

On the question of concessions on BR, we shall be heavily pressed on whether the scheme will have the present GLC concession allowing holders of OAP passes to get half price travel on BR services in London, which indeed the GLC want to make into a free scheme. The line I intend to take is that there is no need for a uniform scheme because the importance of BR services varies so widely between one part of London and another. But it should be open to boroughs to buy from BR additional travel for their local pass-holders and I propose to amend the Bill to allow this. I will do everything to impede the GLC's proposed extension of the present scheme, so that it will be for the boroughs to take the decisions.

Once we have agreed a line on the above we can deploy it not only in the further LRT Bill debates, but

*(attached)

at the meeting the London Boroughs Association have sought with Patrick Jenkin and myself.

I am sending a copy of this letter to the Prime Minister and the Chief Whip because of the political sensitivity as well as of course to Patrick Jenkin. I now understand that you and I are to meet; with Patrick Jenkin, on Thursday morning to discuss this.

Yours ever
Nicholas

NICHOLAS RIDLEY

CONCESSIONARY FARES POLICY - PUBLIC EXPENDITURE IMPLICATIONS

Introduction

1. Ministers have promised new clauses in the LRT Bill to provide for a reserve scheme on concessionary fares which may involve endorsing public expenditure above the present provision. This would be triggered only if Boroughs fail to agree on a standard scheme. The scheme will allow free travel off-peak on production of a permit. The full cost of each permit will be set by LRT. Boroughs will pay LRT the full cost but will be able individually to issue permits to eligible residents on terms and conditions including charges which will be subject to the Secretary of State's approval.

2. The ability to charge for permits which the new arrangements preserve means that the public expenditure cost would still be partly subject to local discretion because some Boroughs may decide to give the passes free, whereas others may propose a charge. The Secretary of State would not have the power to prescribe charges: his power will be limited to disallowing any proposed charge he considers excessive.

3. Despite the local discretion retained, the new system will inevitably place the Government under pressure to disclose what, in its judgement, constitutes a reasonable maximum charge. In particular pressure from the LBA for a prior indication of what the maximum will be - to facilitate their attempt to agree a voluntary scheme - is inevitable and would be very difficult to resist. This paper sets out the block grant and public expenditure implications in relation to existing provision, and the options for Ministers.

Existing PES provision

4. Concessionary fares outturn has been consistently above provision. It has never been eligible for TSG, and the only allocation between local authorities has been in GREs, the formula used being pro rata to numbers over 65. 1984/85 provision is £189m. The detailed figures in Annex 1 show substantial overspending in London and the Mets and spending below GREs in the Shires. The national provision has never been based on a specific view about the appropriate level of concession. It falls £60m short of financing a half-fare off-peak scheme.

The present GLC scheme

5. The GLC scheme, whose retention is so strongly supported politically, is an extremely generous one compared with the average Shire County scheme. It is free after 9.30am on LT buses and tubes (with GLC about to make it after 9.00am) and half fare on BR. In 1985/86 it is likely to cost £75m. The cost compares with a GRE of £32m.

The scheme under the new legislation

6. The reserve scheme proposed, since it is limited to off-peak only, and excludes BR, will reduce costs by £11m to £64m. But to bring the expenditure down to the GRE level and hence into line with the present public expenditure provision would require a uniform charge of about £40 per annum to pensioners for the permit or £55 per annum if Supplementary Benefit recipients were excluded. Charges at this level would avoid the problems with GREs, targets and rate-capping discussed below but it is unlikely that any Borough would propose such high charges. Take up would be so reduced that most pensioners would in effect, be thereby deprived of concessionary travel. Even if the Government considered so high a charge was consistent with the basis on which the clauses are being introduced to expose it would have little impact.

7. Problems could arise if Ministers set the maximum charge Boroughs may levy below the level necessary for expenditure to equal provision in GREs. The Boroughs could accuse the Government of inconsistency if they penalised authorities having prevented them from avoiding the penalties by raising charges. The Table below estimates the size of the gap between approved expenditure and provision based on Ministers approving maximum charges of

	Extra cost compared with GRE
£2 charge with no exemption	£30m
£10 " " Supplementary Benefit exemption	£24m
£10 " " no exemption	£22m
£20 " " Supplementary Benefit exemption	£17m
£20 " " no exemption	£14m
£40 " " Supplementary Benefit exemption	£7m

As decisions on levels of charges will thus impact only at the margin, Ministers will wish to consider what position is sustainable given the widespread public concern.

Implications for Public Expenditure

8. If Ministers have indicated a particular charge, the LBA will press for adjustment of GREs and targets and for an assurance that rate limitation will take it fully into account. Any adjustment for one or more of these will require additional public expenditure provision to accommodate it.

9. GREs. Annex 2 argues that there is no strong case for adjusting GREs for concessionary fares in the light of the new provisions in the LRT Bill. Retaining GREs at the present level will simply mean that the London Boroughs will have to levy an appropriate rate to cover the relatively generous concessionary fares scheme in the capital. In any case, GREs could be adjusted in line with the expenditure involved, only by increasing PES provision to nearly six times the extra costs shown in Para 7 above. They would also give entirely the wrong signal to authorities outside London.

10. It will be very difficult to justify not adjusting targets to cater for the net cost of a scheme which the Government has in effect made mandatory on the London Boroughs. We expect that on abolition, the Secretary of State will have reasonable flexibility to set targets for successor authorities for 1986/87 having regard to those functions which they are inheriting from the GLC or the MCCs though this may have to be included in the abolition legislation. It would therefore be possible to set targets allowing for whatever level of net expenditure on concessionary fares Ministers were prepared to endorse.

11. However, to give assurances to the Boroughs now, or indeed during 1985/86 could have damaging implications for GLC's 1984/85 target and set a dangerous precedent for other transferred services. Furthermore, it would be extremely difficult to justify special treatment for London in 1986/87 which was not extended to the Metropolitan Areas. But special treatment of London with or without the Mets would undoubtedly create problems with the Shire Counties who would view this as an example of a reward for past overspending. The presentational problems would be compounded because the Metropolitan Areas and London will be favoured in targets through their past overspending on concessionary fares.

12. The alternative route of disregarding a proportion of concessionary fares in London poses similar difficulties, since, like targets, disregards must be framed by reference to principles applicable to all authorities. Furthermore, a suitable disregard would be difficult to define, and being more explicit than an adjustment to target methodology it would be the more difficult to restrict its application to London and the Metropolitan Districts.

13. As far as selective rate limitation is concerned no decisions have yet been taken on how the powers in the Rates Bill would be operated in 1985/86 much less 1986/87 and subsequent years. Selection will depend primarily on spending in relation to GREs. But authorities who are already high-spenders on that basis will not be substantially disadvantaged by the relatively small additional spending on concessionary fares. If post abolition targets allow for the cost of the mandatory scheme, expenditure at this level is unlikely in itself to push any authority into the selective scheme, or prevent it meeting its expenditure limit if it is selected. But it is difficult to see how Ministers can give any assurances at this stage without prejudicing their position viz-a-viz the GLC in 1985/86.

Implications for other services

14. Ministers will also want to consider the implications of any assurances about the treatment of conessionary fares expenditure on other services affected by abolition. Substantial pressures are already building up for special treatment of a number of GLC services, including support for the arts and grants to voluntary bodies. Assurances that provisions will be made to allow a generous concessionary fares scheme after abolition could be taken as evidence of a general willingness to endorse the continuation of the existing level of GLC spending.

Implications for the Metropolitan Areas

15. Whatever intermediate position is selected for London will have implications for the other 6 Metropolitan Areas. Existing schemes there vary somewhat but are free off-peak in 4 of the 6, with 1 having half-fare all day and 1 a flat 10p fare all day. Total expenditure at £104m (1984/85 budgets) is £60m above their total GREs (£44m). The treatment of concessionary fares post-abolition has yet to be decided. If they become the responsibility of the Metropolitan Districts similar target adjustments or disregards would have to be conceded as for the London Boroughs. If they become the responsibility of the new Joint Boards, the Secretary of State would not be able to approve precepts allowing significantly less generous schemes than that implied for London by the level of charges he approves for London Boroughs. Taking account of these implications for the Met Areas will treble the public expenditure cost of the options illustrated in the Table in Para 7. Because of the explicit nature of disregards, a disregard would almost certainly have to extend to the Shires as well.

Conclusion

16. The new clauses in the LRT Bill will probably be put down on 16 March and be considered by Committee during the following week. Members can be expected to be briefed by the LBA and individual London Boroughs to press for GRE, target and rate-capping guarantees to cover expenditure on a reserve scheme. The LBA are also expected to renew their request for the Secretaries of State for the Environment and Transport to receive a deputation seeking such assurances.

Ministers may therefore wish to decide:-

i. the maximum realistic charge that would not contradict the purpose of the reserve scheme and would be politically sustainable

ii. whether to assure the London Boroughs that sympathetic consideration will be given to adjusting targets or to agreeing disregards (but not adjusting GREs) for additional expenditure necessarily incurred on the reserve scheme up to the level decided on (i) above.

iii. whether to extend such action to cover the Metropolitan Counties.

iv. to take account of the public expenditure implications of decisions on (i),(ii) and (iii) above in determining local authority current expenditure for 1986/87 and subsequent years and the scope for offsetting savings.

ANNEX 1

CONCESSIONARY FARES EXPENDITURE

£m	PE Provision	Outturn
1981/82	139	156
1982/83	163	202
		Budget
1983/84	173	212
1984/85	189	235*

*rough estimate

£m 1983/84 EXPENDITURE COMPARED WITH GREs

Area	GRE	LA Budgets
LONDON	28.2	61*
MET COUNTY	39.7	94
SHIRE COUNTY	105.1	57

*subsequently revised to £65m

Annex 2.

IMPLICATIONS FOR GRE's

GRE's

On abolition the boroughs will receive GRE for concessionary fares for the elderly in place of the GLC. On the present basis of GRE (an equal amount for each person aged 65 or over) London's overall assessment will continue to be equivalent to about half the cost of the present GLC scheme. It would be possible to increase London's GRE to a certain extent within the national total by adopting one of the GRE formulae suggested by the AMA in recent years (e.g. allocating the total in proportion to elderly people on Supplementary Benefits). But none of the options tested so far is likely to increase London's GRE by significantly more than £3m (10%). Nevertheless if the cost of the mandatory scheme, net of the maximum level of charges the Secretary of State is repared to endorse, is substantially higher than GRE, Ministers will certainly come under pressure to increase the GRE.

GRE's have by law to be calculated on principles applicable to all authorities who share a particular function. London's GRE cannot therefore be set independently of those of authorities elsewhere, notwithstanding the different statutory framework created by the LRT Bill. All GRE's could be doubled by doubling the present GRE control total (about £175m in 1983/84). But that would involve a very high PES cost, and would give entirely the wrong signal on concessionary fares expenditure to authorities outside London. It seems very unlikely therefore that an acceptable way can be found to increase London's GRE to anything close to the cost of the existing concessionary fares scheme.

This need not put Ministers in an untenable position. The aim of GRE's is to measure the cost of a typical or average level of service as a basis for the block grant system. In the case of a highly discretionary service like concessionary fares, it is inevitable that authorities who provide a relatively generous scheme will spend above GRE, while

those who choose a much more restricted scheme (or have no scheme at all) will spend well below GRE. The equalisation mechanisms of block grant will ensure that authorities in the first group have to levy a somewhat higher than average rate poundage to fund their expenditure, and those in the second class a lower poundage. In London's case, if the cost of the mandatory scheme is well above average, it is appropriate that London ratepayers should face a somewhat higher poundage, on a par with what ratepayers elsewhere would have to pay for a scheme of equal generosity. This does not in itself imply "penalties" for overspending: they would arise only if the boroughs were set targets which did not allow for the cost of the mandatory scheme.

10 DOWNING STREET

Prime Minister (2)

This is the text of the announcement on concessionary fares. DoT have confirmed that the cost is £60 per pensioner / disabled person.

AT

15/2

Prime Minister

Department of Transport

Press Notice

67

15 February 1984

CONCESSIONARY FARES IN LONDON

Nicholas Ridley, Secretary of State for Transport, today announced measures to be incorporated in the London Regional Transport Bill to safeguard the future of a uniform scheme of travel concessions for pensioners and disabled people in London.

In answer to a Parliamentary Question from Terry Dicks MP for Hayes and Harlington, Mr Ridley said:

"As we made clear in our White Paper 'Public Transport in London' (Cmnd 9004) published in July 1983, the Government have always recognised the concern of London's pensioners that a joint scheme for concessionary travel should be available to them.

"The London Boroughs Association has agreed the principle of such a joint scheme and discussions on the detailed arrangements are progressing.

"We propose to safeguard this agreement by providing in the London Regional Transport Bill for the continuation of a uniform scheme should any of the London local authorities refuse to participate. London Regional Transport would offer free off-peak travel to London's pensioners and disabled people and free travel at all times for the blind. The cost would be recouped from the London authorities who would issue the necessary permits. Any charge that those authorities might wish to make for issuing permits would require my consent."

Press Enquiries: 01-212 0431

Public Enquiries: 01-212 3434
ask for Public Enquiry Unit

15 DEC 1984

CONFIDENTIAL

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LRT BILL

Members may find the attached brief useful in their consideration of the new London Regional Transport Bill

Contents

		Page
A.	The Government's Objectives	1
B.	The Need for Change	1
C.	The Contents of the Bill	3
D.	Questions and Answers	5
E.	Press Release about Concessionary Fares	7
Appendix -	Development's since the Bill's Publication	9

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Enquiries on this brief to:
JEREMY MOODY

LONDON REGIONAL TRANSPORT

This Bill implements proposals set out in the White Paper 'Public Transport in London' (Cmnd 9004) published in July 1983, for reform of the structure and organisation of London's public transport system.

A. The Government's Objectives:

- The Government wishes to restore a stable framework for the planning of public transport in London.

- It wishes to reduce unnecessary costs and provide better value for money on the London Transport system for travellers, ratepayers and taxpayers.

- It wishes to bring bus and underground services into the same policy framework as BR Commuter Services and to improve co-operation between the two operations.

- It wishes to reduce the shabbiness of the system by redirection of resources towards cost saving investment.

- It wishes to ensure fully professional management at all levels.

- It wishes to encourage greater competition in the provision of transport services in London by creating smaller and more accountable units; by contracting out by LRT of more work to the private sector, where the private sector can do it more effectively, and by divesting the public sector of unnecessary roles.

B. The Need for Change

1. Political Interference

The above objectives cannot be achieved while London's transport is subject to the irresponsible political whim of County Hall. London Transport has become a political battleground. For example,

i) The 'Fares Fair' experiment was ill conceived. It led to a (successful) Court challenge, and left London's ratepayers and travellers paying more for transport.

ii) The Labour GLC raised LT wages in 1981 above the original proposal of 8 per cent to 11 per cent when the bus drivers had already accepted 8 per cent.

iii) They made LT in 1981 increase the number of LT staff by over 500 people.

iv) More recently, the GLC has packed the LT Board with its own nominees in an attempt to prevent the professional members of the LT Board pushing ahead with sensible cost savings. The most recent nominees were:

Arthur Latham - Chairman of the London Labour Party, member of Tribune Group - supports Left-wing causes including the Soviet-backed regime in Afghanistan;

Merle Amory - 25 year old Left-wing secretary and member of Brent Council - supported Ken Livingstone's campaign to be nominated Parliamentary candidate for Brent East.

v) In November the GLC staff committee decided that Nick Lester, Chairman of the London Transport Passenger Committee - the consumer watchdog for LT should not give up that post on becoming an officer of the GLC. Conservative GLC members attacked the decision as the Chairman of the LTPC should be independent of public transport and the GLC. Plainly Mr Lester will no longer be so.

vi) Under the Transport Act 1983, LT produced a 3 year plan for the 3 year period beginning in 1984-5. This contained proposals for sensible cost savings including:

- fares to be kept constant in real terms;
- bus mileage to be reduced slightly, tailored to demand;
- Underground mileage to remain constant;
- Costs to be reduced by over 9 per cent over the period of the plan by means of a 2 per cent reduction in unit costs and the reduction in bus mileage already referred to;
- increased marketing and promotion of LT's services;
- reduced level of revenue support.

The GLC have proposed to modify the Executive's plan in a number of ways - by:

- increasing the levels of bus and underground mileage above the level necessary to meet demand;
- deferring the extension of one person operation until a 'searching' independent appraisal of its advantages and disadvantages has been carried out;
- increasing the level of revenue support.

2. The measures in the Bill provide the only way to bring BR Commuter Services and LT services under common policy and financial direction. Without it, co-ordination of services and co-operation between them was difficult. The Secretary of State for Transport will be establishing liaison arrangements to ensure that better co-operation takes place.

3. While political interference has been far reaching, inadequate pressure to control the costs of LT has led to:

- real unit costs rising by 67.1 per cent (bus) and 47.8 per cent (underground) since 1970;
- high fares - up by 85 per cent in real terms between 1970 and 1982;
- Subsidy up thirteenfold in real terms from £6.5 million in 1970 to £369.8 million in 1982.

The GLC has pretended that the argument is about the balance between fares and subsidy. But this has been allowed to obscure the real problem - the increase in the total cost of public transport in London - a cost which has to be paid for by somebody.

4. Public transport is, as the Select Committee on Transport said

'a matter of national, as well as local importance'.

It is therefore entirely appropriate that the Secretary of State should assume responsibility for policy and finance.

C. The Bill's Provisions

General Description. The Bill transfers control of the London Transport Executive from the GLC to the Secretary of State, and renames it London Regional Transport. There will be central Government funding of LRT with a contribution to the Exchequer from London's ratepayers. The Bill requires subsidiaries to be established for the bus and underground undertakings, and includes plans for the involvement of private capital in these and in other subsidiaries of LRT, and for the disposal of parts of LRT's operations. The Bill also makes provision for other bus operators to operate either under agreements with LRT or indepe dently of LRT under Road Service Licences from the Traffic Commissioners. A single new consumer body is to be established for LRT and for British Railways Board services in and around Greater London. There are reserve powers under which LRT would assume responsibility for financial support of BR Board services in the London Region.

Themes of the Bill

i) New Organisation and Structure

LRT will be formed in two main stages. The first stage involves a transfer of the existing body, LTE from the control of the GLC to the Secretary of State for Transport. The main change will be to the constitution of the body LTR which will be subject to the normal policy and financial controls appropriate to nationalised industries. The Board will be appointed by the Secretary of State. At the second stage, LRT will form two subsidiaries under the Companies Acts which will become the operating companies for the bus and underground services respectively.

It is likely that the main board will comprise people with general management and financial qualifications with separate membership from the Boards of the subsidiaries. The main subsidiaries will be able to form sub-subsidiary companies in the normal way under the Companies Acts. LRT itself will be able to form further subsidiary companies for the runnings of its ancillary operations. These will provide services on a competitive basis to the operating companies of LT.

ii) Competition and Privatisation

The Bill encourages competition and privatisation in several ways.

- It encourages LRT to contract out services where it makes economic sense to do so.

- It allows LRT to make arrangements with other operators for the provision of services under agreed terms and conditions.

- It provides a power for LRT to dispose of parts of their operations to the private sector, or to arrange for the participation of private capital in their own services or in joint ventures.

- The independent operators who do not wish to operate services under agreement with LRT will be able to apply for a licence from the Metropolitan Traffic Commissioners.

- LRT will be able to provide facilities - such as bus garages and car parks for the use of private bus and coach operators.

iii) New Ratepayer/taxpayer Contribution

The Bill removes the new LRT from the Local Government grant system altogether. Instead a simplified mechanism is proposed.

- The Secretary of State is empowered to make grants to LRT with the consent of the Treasury.

- He is empowered to collect, by means of a levy on the London Boroughs, a contribution from Greater London Ratepayers towards his expenditure in grants to LRT. The amount to be raised should not exceed two-thirds of the estimated expenditure on grants. The amount to be raised will be specified in an annual order, subject to negative resolution. This order will set out the factors taken into account and the method of calculation used. The proportion of ratepayer contribution may be altered by order, subject to an affirmative resolution. This recognises the 'national' importance of London's public transport system. It will be good news for ratepayers because the proportion of the total grant to LRT they will pay will be lower than it is at present (80 per cent); because it is expected that the total subsidy to LRT will be reduced; and because it still gives ratepayers an incentive to look for better value for money from London's public transport system.

iv) Consumer Representation

A single new consumer body will be set up, combining the present TUCC for London (the watchdog for BR's London services) and the London Transport Passengers' Committee (LTPC) (the watchdog for LT). The new body will be called the London Regional Passengers' Committee (LRPC). It will be appointed by the Secretary of State and will have a duty to consider and make recommendations on matters affecting the service and facilities provided by LRT, by operators under agreement with LRT and by British Rail.

This proposal reflects the Government's objective of ensuring that BR and LRT work more closely together. It will mean less confusion to passengers who will be able to focus their views on London's transport services on one body instead of two. It will remove the anomaly of the TUCC for London dealing with LT rail closures while the LTPC deals with other LT issues.

v) LT/BR Liaison

London Regional Transport and the BR Board will have a duty to co-operate with one another in the exercise and performance of their respective functions, to co-ordinate the passenger transport services provided by these companies on their subsidiaries. The new arrangements will provide scope for closer co-operation because:

- they will be subject to the same political control and policy framework. The present different financial and policy frameworks has proved a major obstacle to progress, as both Chairmen have publicly acknowledged.

- The Secretary of State will be setting up new liaison arrangements between the two operators and will give his personal authority to this work.

- The new consumer body will be able to identify needs in this area.

It is hoped that closer co-operation will mean that resources are allocated in the best interests of London as a whole, and that wasteful duplication is removed. Possible early initiatives might include:

- Improvements at major BR/LT interchange stations;
- rationalisation of services;
- Joint use of facilities for eg. rolling stock storage and maintenance;
- Better fares structure;
- Common ticket offices and ticket inspection at interchanges;
- Joint publicity and marketing initiatives;
- Joint purchasing initiatives.

vi) Reserve Powers

If the voluntary arrangements do not work well, powers exists in the Bill to extend the remit of LRT to cover BR's London Commuter Services. The reserve powers would be introduced by order for a maximum of 8 years.

- LRT would assume responsibility for the strategic oversight of all public transport serving London.

- LRT would assume responsibility for setting the PSO for BR's London and South East Services.

- LRT would allocate subsidy amongst its own subsidiaries and BR services.

D. Questions and Answers

Q. LT no longer accountable to Londoners?

A. LRT will be accountable to Parliament through the Secretary of State for Transport. London's public transport is a vast system of national importance it is right that it should be nationally accountable. The Government will be improving the machinery through which Londoners can express their views. The new consumer body will cover both LRT and BR Services. LRT will have a duty to prepare a strategy statement setting out in general terms the policies they intend to follow with a view to the discharge of their general duty. They will have to consult in preparing the statement, with BR, the London Boroughs and the new LRPC. This will provide Londoners with more information about the service. The first statement will be prepared within one year of the establishment of LRT.

Q. Is it wrong for Government to levy a rate precept on London's ratepayers?

A. Ratepayers elsewhere pay towards the cost of their public transport. It would be unfair if London's ratepayers paid nothing at all. The new financial arrangements provide for the national taxpayer to pay one third of the grant to LRT to reflect the national importance of London's public transport. This is a higher proportion than the taxpayer contributes at present. Ratepayers will benefit from reducing levels of subsidy overall. Another point to make is

that it is important that Londoners should have an incentive to seek better value for money and better efficiency. They would not have such an incentive if the taxpayer paid the whole subsidy.

Q. Why are concessionary fares not included in the Bill?

A. The establishment of LRT need make no difference to pensioners. The GLC will continue to pay for concessionary fares for the next two years. After that, the Government has made it clear that it intends to transfer responsibility for concessionary fares to the London Boroughs. The LBA has agreed in principle that the Boroughs should assume responsibility and they will be working towards a scheme over the next 2 years (see attached press release).

Q. Will fares rise and services be cut under this legislation?

A. There is no reason why the establishment of LRT should lead to massive fare increases. No one wants to see massive fare increases at any time, but obviously someone has to pay the bill if costs are unnecessarily high. It is plainly the case that there is considerable scope for cost savings on LT so that subsidy could be reduced substantially without massive fare increases. When the Government assumes responsibility, LRT will work towards these savings. At present the GLC are imposing extra costs on LT. On services, we have to recognise that patronage on bus services in particular has been declining on many routes. A failure to tailor services to meet demand means higher costs. It is ridicuous - as the GLC do - to focus attention solely on the number of miles operated. What matters is reliability. LT are making some progress here. We shall expect LRT to continue it.

Q. Won't competition lead to the creaming off of good routes and damage integration?

A. No. Where LRT contracts with other operators to run services, they will be able to direct subsidy as they wish and slot the new service into the rest of the network. Where an outside operator applies to the Traffic Commissioner for a Road Service Licence, the Traffic Commissioners have to be satisfied that the benefits to the public of a new service outweigh the disbenefits that might arise from a reduction in cross subsidy to other operators. LRT will encourage co-ordination with these services, which may run anyway on routes where there is no need for services to be co-ordinated with other bus services.

Q. Why not a larger strategic authority covering BR's services as well?

A. We believe that we should try in the first instance to achieve better co-operation between LRT and BR through voluntary means. In the past, it has been difficult for them to co-operate as they have been subject to different political disciplines. If the voluntary arrangements do not work well in practice, then reserve powers exist to extend LRT's responsibilities to cover BR as well.

/Press Release attached

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32 Smith Square LONDON SW1

JM/CR

CONSERVATIVE PARTY NEWS SERVICE

Press & Public Relations Department.

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01-222 9000

Conservative Central Office.
32 Smith Square.
London SW1P 3HH

MRS LYNDA CHALKER MP

Release Time: 20.00 hours/MONDAY, 28th November 1983 813/83

Extract from a speech by Mrs Lynda Chalker MP (Wallasey), Parliamentary Under Secretary of State for Transport, speaking in London to a meeting of Richmond and Barnes Conservative Association, at the White Hart Hotel, Mortlake, on 28th November 1983

Speaking to Richmond Conservatives, Mrs Lynda Chalker, Parliamentary Under Secretary of State for Transport, assured London's pensioners that "there is no intention to deprive pensioners of travel concessions when this GLC is abolished."

"Concessionary fares for the elderly in London are of vital importance. There are one million pensioners involved. Their anxiety has been irresponsibly stirred up by the GLC in a campaign carefully designed to obscure the real issues about London. Pensioners in London have been frightened, but they need have no fear of the Government. It is the GLC with their massive rate borne subsidies, who are the bad news for Londoners.

"Concessionary fares have rightly been regarded by successive Governments as part of the local government package of services for the elderly. We agree, just as the last Labour Government argued that "local discretion to take account of local conditions and priorities is valuable and must be retained". When the GLC is abolished in 1986, the London boroughs will assume responsibility for concessionary fares. The London Boroughs Association agreed in October: "the Association considers that on the setting up of LRT, the Boroughs should assume responsibility for concessionary fares." The real issue is not whether there will be a concessionary fares scheme, but the type of concessionary fares scheme that the boroughs choose to operate in two years' time. The LBA has agreed in principle to work out further details of the scheme and to put forward proposals. This is not something which can be done quickly, but the London boroughs have two years in which to devise a workable scheme.

Printed and Published by Conservative Central Office 32 Smith Square London SW1

"Certain London boroughs have refused to discuss the issue. Brent, Greenwich, Hackney, Islington, Lambeth, Lewisham and Southwark have refused to discuss the creation of the scheme for concessionary fares, because they are running a political campaign against the abolition of the GLC, paid for with ratepayers' money. The rest of the boroughs are beginning the discussion of what is involved in such a scheme.

"There is no intention to deprive pensioners of travel concessions when the GLC is abolished. It is ridiculous to assume that no scheme can be prepared. I have to conclude that GLC does not wish a scheme to be prepared, for they are busy backing those Labour boroughs who refuse to work on the scheme which can help over 250,000 pensioners in these boroughs.

"I have three simple messages for Londoners:

First, don't listen to scare stories.

Second, don't let the Labour GLC fool you that the new arrangements to get a better deal for London travellers with LRT is in any way tied up with the concessionary fares issue; it is not.

Third, just ask yourself about the motives of GLC politicians, aided and abetted by the Labour Party. These are people deliberately working on fears of pensioners as an instrument in their campaign to keep themselves in office. That's not London Government, that's political manipulation.

"Finally, let the boroughs have the time to resolve the many intricate aspects of this Local Government changeover without the interference of the GLC.

That is what is needed, and that is what this Government is determined to achieve."

END

/9 Appendix

APPENDIX - DEVELOPMENTS SINCE THE BILL'S PUBLICATION

A. The Labour Party is increasingly appearing to act as an outrider for the GLC Labour Group in its opposition to the creation of London Regional Transport.

At the press conference convened by the GLC, John Prescott, MP, Labour's front bench spokesman in the Commons on Transport spoke third after Ken Livingstone and Dave Wetzel.

Mr Livingstone reiterated the grounds of the GLC Labour Group's opposition to the Bill, claiming it would lead to higher fares, reduced services and removal of pensioners' concessionary fares - answered above in this brief.

B. The GLC is running a campaign including advertisements under the slogan 'Kill the Bill' at the ratepayers' cost to protect the present inefficient and expensive arrangements. These advertisements feature not only London Transport vehicles (Come in No:9, your time is up), but also use the London Transport symbol. The Chairman of London Transport, Dr Keith Bright, has said firmly that the issue is one for politicians to decide and not his Executive. London Transport has told the GLC that it is in no way associated with the campaign and should cease to use its logo.

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CC NO.

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

NBPM AT 9/12

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON SW1H OET

9 December 1983

Dear Norman

TRANSPORT CONSUMER BODIES: ROLE IN RELATION TO FARES

We have agreed that the London Regional Transport Bill has to maintain the present position that the consumer body (which will be the London Regional Passengers Committee) will not be legally authorised to consider fares and charges. There are overriding technical reasons for maintaining that position in the LRT Bill, whatever the merits. But I shall certainly be pressed to say what is our policy. L Committee last week (L(83)21st Item 2) invited me to clear the policy with my colleagues and that is the purpose of this letter.

The position is that, unlike the other Nationalised Industry Consumer Councils, the transport ones (the Central Transport Consultative Committee, the area Transport Users Consultative Committees, and the London Committee) have been expressly precluded from considering fares and charges. I had a very helpful discussion with Alex Fletcher about whether we should change this. We agreed that it would be quite wrong to make any provision which would enable me to

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give specific directions to British Rail or London Regional Transport about fares. We agreed also that given the very large Exchequer subsidies, it would be wrong to allow consumer bodies to make recommendations on fares without regard to the financial target set by Government, which must be overriding. For my part I think that this means that their proper role is to look at relativities of the many fares on offer and so the structure of the tariff, but not at the general level of fares. They must certainly be in no position to delay necessary fare increases in any way.

I would be ready to see general legislation on these lines, when there is a suitable opportunity. I should like to announce the new policy on the second reading of the LRT Bill and I annex the text of what I propose to say. Since I very much hope that we can have the second reading of the Bill during the week beginning 12 December, I should be grateful if any comments could reach me no later than midday on Monday 12 December.

I am copying this letter to the Prime Minister, to the Lord President of the Council, the Lord Chancellor, the Secretaries of State for Energy, Scotland and Wales, the Lord Privy Seal, the Chief Secretary, the Chief Whip, and to Alex Fletcher and Sir Robert Armstrong.

NICHOLAS RIDLEY

DRAFT FORM OF WORDS FOR SECOND READING OF LRT BILL

Consumer Bodies and Fares

1. I now come to the important matter of the role of the new consumer body in relation to fares.

2. At present, the consumer bodies dealing with transport - the Central Transport Consultative Committee, the area Transport Users' Consultative Committees, and in London, the London Transport Passengers' Committee, all have fares and charges specifically excluded from their statutory remit.

3. In December last year, the Government published a document "The Nationalised Industry Consumer Councils: A Strategy for Reform" in which we said that we were considering whether this exclusion should continue.

4. We have given very careful consideration during the preparation of this Bill both to the general principle involved here and to the possible use of this Bill as a vehicle in which to incorporate any change to the existing law in this respect. The general principle is that the industries must work to the financial objectives set by Government, and they must determine the level of fares without

being subject to specific directions. But we accept that within that framework, there is a role for the consumer bodies in relation to the structure and relativities of fares.

5. On the second point, it would not be appropriate to make a change of this kind in a Bill whose scope is limited to the London region. The Government intend however to deal with the matter on the above lines if and when a suitable legislative opportunity arises.

6. Meanwhile, I am glad to say that the Chairman of British Rail, Mr Bob Reid, has agreed that his Board will consult both the Central Transport Consultative Committee and the new LRPC about fares and charges, on an informal basis, in advance of any new legislation. I am sure that the Board of LRT, when appointed, will also agree to do the same thing in relation to the London Regional Passengers' Committee.

-9 DEC 1983

PARLIAMENTARY UNDER SECRETARY OF STATE

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

for information to all London Conservative MPs.

The Rt Hon Margaret Thatcher MP
House of Commons
London SW1

1 DEC 1983

Dear Margaret

1/12.

I thought that you would want to know that we will be publishing our London Regional Transport Bill this Friday, 2 December and hope to have its second reading before Christmas.

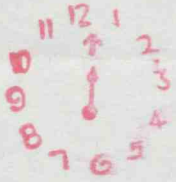
It is obviously crucial to get this important measure off to a good start. I have therefore asked our two Parliamentary Private Secretaries Angela Rumbold and Robin Squire to be available with Central Office briefing for London members. So may I suggest that you make contact with either Angela or Robin before Friday, so that they can arrange for you to have briefing for the weekend.

Yours ever

Lynda

MRS LYNDA CHALKER

E 1 DEC 1983



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

NBPM 18/11

The Rt Hon Patrick Jenkin MP
Department of the Environment
Room N16/13
2 Marsham Street
LONDON
SW1

17 November 1983

Dear Patrick

COMPENSATION TERMS AND THE LONDON REGIONAL TRANSPORT BILL

Thank you for your letter of 3 November in reply to one from Tom King. - PH 17

Of course I accept that we must do all we can to limit the inconsistency in our approach to redundancy compensation. In this case, as you recognise, there really is no way of ensuring consistency without a substantial risk of making the LRT Bill hybrid. Recent events over London Transport have only confirmed that we cannot run the risk of introducing the possibility of serious delay for the LRT Bill.

I am copying this letter to our Cabinet colleagues, the Attorney General, the Minister for the Arts, the Minister for Local Government, and to Sir Robert Armstrong.

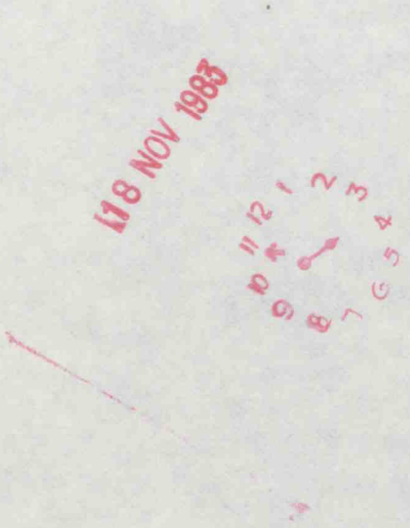
Yours ever

Nicholas

NICHOLAS RIDLEY

Local Govt relations, pt 18

18 NOV 1983



With the compliments of

JAMES LEMKIN

Opposition Chief Whip

The County Hall, London, SE1 7PB
01-633 3556

9076 S&S

From: **James Lemkin**
Member of the Greater London Council
[redacted]ingdon - Uxbridge
Opposition Chief Whip
Leading Opposition Spokesman—
Legal and General Committee

OPPOSITION WHIPS OFFICE
ROOM 108
THE COUNTY HALL
LONDON SE 7PB

10 November 1983

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport
House of Commons
London SW1A 0AA

Confidential

Dear Mr Ridley.

I thought I would summarise the latest position here on the appointment of members of the London Transport Executive.

As you know, there were at the beginning of this week ten members of the LTE, five Executive Members and five Non-Executive Members. The Executive Members included and supported Dr Bright. The others were Socialist nominees. Of the five Executive Members Mr Cameron has apparently retired. Although the Conservative Group on the GLC, in this case supported by the Alliance Members, hotly argued against the appointment of Ms Amory and the enlargement of Mr Latham's role and although six motions relating to them and to the watering down of the rules relating to political activities by members of the Executive were voted on, we were narrowly defeated on each. Of course the combined strength of our Group and that of the Alliance is three short of the Socialist Group. Of the six motions two were adjournment motions which were designed to prevent the subjects being discussed.

I have also considered the question of recourse to the Courts. Through my contacts as Vice-Chairman of the Executive Committee of the Society of Conservative Lawyers I was able to approach a friendly but prominent QC who, with regret, advised that he thought it unlikely that a Court would disturb the resolutions of the GLC in respect of Mr Latham and Ms Amory in the light of the detailed wording of the Transport (London) Act 1969.

As you know, Dr Bright has written at least two letters recently on these matters to the GLC, the last being dated 8 November, a copy of which I enclose. The appointments have been made now in the face of Dr Bright's opposition including his last letter and I would imagine that Dr Bright and some of his colleagues are on a collision course with the rest of the Board. Obviously it would be for you to intervene at the appropriate time. I hope that when you do, you might choose the move of augmenting the Board to a maximum of, say, fifteen with the Government taking the right to appoint four additional members of the Board over the eleven maximum allowed by the statute. Before I close I must emphasise that I and my colleagues regard the alteration of the so-called 'Addison' rules (adopted in 1969 by London Transport to limit the political activity by Board members) as most pernicious and against the understood code for members of public boards.

Continued.....

I am sending a copy of this letter to Michael Alison to whom I spoke about this matter on Tuesday as the Prime Minister has already taken an interest in this question and also to Miss Joan Varley and others at Central Office as they may well get a number of questions from Londoners about this aspect of local government.

With good wishes,

Yours sincerely,

James Lemkin

FROM:
THE CHAIRMAN AND CHIEF EXECUTIVE
DR K. BRIGHT

LONDON TRANSPORT
55 BROADWAY
LONDON SWIH 0BD
TELEX: 893633 LTBRDY
TEL: 01-222 5600
01-227 3157

KB10/G/L18

Sir James Swaffield, CBE, RD
Director-General and Clerk
to the Council
Greater London Council
The County Hall
London SE1 7PB

8 November 1983

Dear Sir James,

As you know, I was concerned about Ms Amory's letter to you of 1 November 1983 wherein there appeared to be some misunderstandings that I would like to clear up.

Ms Amory complained that she felt she had not been adequately interviewed. Having tried unsuccessfully to contact her by telephone I wrote to her last Friday giving my contact telephone numbers throughout the weekend in order to arrange a further meeting. I telephoned her again on Monday morning and finally arranged to meet her at her office at the NUJ at 13.30 hours on Monday 7 November.

I first cleared up the inaccuracy contained in her letter to you regarding my comments about Board Membership. After explaining to Ms Amory that I understood the Council's need to appoint a Board member from the Black community, I reiterated that my primary concern was the balance of the Board and the skills needed to achieve it. I emphasised that the Board needed to have a person with complementary skills to those held by the present part-time members.

I then asked Ms Amory a series of questions about London Transport. She had not read the Transport (London) Act 1969 but she was aware of Section 5 and the financial duty to break even. Ms Amory had not read any of the other Acts of Parliament relating to London Transport nor had she seen any Annual Report from London Transport nor the Three-Year Plan. Ms Amory was therefore not aware of the broad statutory framework in which London Transport works, in particular the provisions of the 1983 Act, and was not familiar with the relationship with the GLC and other bodies.

Ms Amory has little or no knowledge of economics or finance and expressed the view that as a politician she has had little opportunity to acquire this knowledge. Naturally Ms Amory has little knowledge of technology and its impact on transport, of applied science, and of transport other than as a consumer.

Ms Amory was strongest in the area of local government, how it is organised and its committee work, and she was familiar with industrial disputes which her council appears to be having at present.

I asked Ms Amory specific questions relating to areas that she would need to know in order to play her part fully as a member of the London Transport Board. Although she expressed a keenness to learn, I must nevertheless, in the light of her answers to my questions, stand by my letter to you of 1 November in that I cannot support Ms Amory's nomination. My view remains that the Board requires a better balance of skills. Ms Amory's most profound knowledge is already covered by existing Board Members, and we can benefit from part-time members who have experience in the other areas - transport, industry, commerce, finance, or indeed applied science, - stated in the 1969 Act.

In my previous letter to you of 1 November 1983 I quoted Mr Livingstone's undertaking about the next appointment to the Board of London Transport. I very much regret that in the light of my discussions I cannot agree with Mr Livingstone's statement of 27 October 1983 that Ms Amory would be 'an obviously useful addition to the Board'.

My recommendation is that Mr Livingstone's intention, expressed in his letter to the Guardian of 20 July 1983, that the person selected should have the support of all parties in the GLC and be welcomed by all the existing members of the London Transport Board, should be fulfilled.

Yours sincerely,

K. Bright

DB - now yours
p.a.
Dmb
11/11

(2)

PRIME MINISTER

cc Mr Mount

London Transport: Emergency Legislation

MT

You should see the paper for H which was taken today. Subsequent developments are:-

i) The GLC has confirmed the appointment of Miss Amory and Mr. Cameron has resigned so the balance of the Board has now swung against Dr. Bright.

ii) At yesterday's meeting of the LT board Dr. Bright got agreement to the LT budget, the closure of the Aldenham bus works and a provisional decision on the closure of Chiswick works.

iii) H gave policy approval to the drafting of this Bill which will be held in reserve until the need for it is demonstrated.

Dr. Bright's position is now precarious. The majority left group are proposing to change LT standing orders so that their representatives will sit on virtually all executive committees. The left group may try to reopen yesterday's decisions.

Dr. Bright has discussed his position with Mr. Ridley. If his position becomes untenable, he will resign. Mr. Ridley could then introduce the Bill but clearly there will need to be co-ordination and the occasion would need to be chosen with care.

At tomorrow's Questions you should avoid any hints of emergency legislation and any hints that Dr. Bright is co-ordinating his position with Mr. Ridley. We have sought to lead people off the emergency legislation trail by implying that your remarks in Parliament referred to the main legislation.

/You could

You could take the following lines:-

"I deplore the attempt to politicise the Board of London Transport. I hope that the Board will support Dr. Bright and his management team in their efforts to produce the efficient and reliable service Londoners are seeking."

9 November 1983

CONFIDENTIAL

cc Mr. Mount

MR. TURNBULL

LONDON TRANSPORT: EMERGENCY LEGISLATION

We fully support the action proposed in Mr. Ridley's ~~minute~~ paper of 7 November.

Dr. Bright and his executive colleagues at LT are tackling cost reduction with commendable vigour, and their endeavours must not be set back by several more months' clowning at County Hall. Current legislation puts no sensible restraint upon the GLC's behaviour in respect to London Transport, so ratepayers and farepayers alike can look only to central Government to act.

ROBERT YOUNG
8 November 1983

CONFIDENTIAL

SECRETARY OF STATE FOR THE ENVIRONMENT

NBPM at Chequers

2 MARSHAM STREET
LONDON SW1P 3EB

AT 3/11

CCNO

My Ref: J/PSO/15719/83

3 November 1983

Dear Nicholas,

COMPENSATION TERMS AND THE LONDON REGIONAL TRANSPORT BILL

Tom King wrote to me on 11 October seeking agreement to his proposals for dealing with GLC employees made redundant by the reorganisation of public transport in London.

I recognise your dilemma, but I must say at the outset that I view with concern the idea of introducing legislation which acquiesces in the payment of London Local Act redundancy terms, albeit to a small number of staff. We have made it clear in the White Paper that we intend to disallow Crombie terms and that, as far as abolition is concerned, the general local government terms will apply. It is implicit that we shall also be disallowing other more generous terms, such as London Local Act. Any departure from this line, no matter what we may say about it being de minimis, will create different classes of redundant local government employees and the disparity of treatment will be seized upon both by the unions and by our opponents. There are already some awkward existing precedents - London housing transfers and civil service privatisations for example - and every time we add to that list it becomes that much more difficult to hold the robust line that has been agreed for abolition.

I accept entirely, of course, that you cannot afford the risk of making your Bill hybrid. There is also the point that the insertion of a provision in the LRT Bill to limit redundancy payments could miss the intended target. If there really is no way round this problem, then I fear we must proceed as Tom King proposed. But I cannot stress too highly the dangers inherent in continued inconsistency in our approach to redundancy compensation.

I am copying this to our Cabinet colleagues, the Attorney General, the Minister for the Arts, the Minister for Local Government, and to Sir Robert Armstrong.

Yours ever

Patrick

PATRICK JENKIN

The Rt Hon Nicholas Ridley MP

Local Govt. Relations 17.





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