PREM 19/2884

MT

PART 2

CONFIDENTIAL FILING

London Regional Transport

Central London Rail Study.

Folder { "Transport in London" Booklet.
"Central London Rail Study" booklet
"Statement on Transport in London."

TRANSPORT

PT 1: November 1983

PT 2: December 1986

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~11.12.86~~		~~12.4.88~~					
~~6.1.87~~		~~22.8.88~~					
~~9.1.87~~		~~22.9.88~~					
~~23.87~~		~~5.10.88~~					
~~18.3.87~~		~~28.10.88~~					
~~25.3.87~~		~~1.11.88~~					
~~31.3.87.~~		~~18.11.88~~					
~~7.5.87~~		~~23.11.88~~					
~~8.5.87~~		~~29.12.88~~					
~~15.5.87~~		~~11-1-89~~					
~~14.7.87~~		~~17.1.89~~					
~~20.7.87.~~		~~16/2/89~~					
~~31.7.87~~		17.2.89					
~~7.8.87~~		~~27.2.89~~					
~~14.8.87~~		20.3.89					
~~17.8.87~~							
~~14.9.87~~		Part ends					
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~~7.3.88~~							
~~[illegible]~~							
~~7.4.88~~							

PREM 19/2884

PART 2 ends:-

SS/DTI to CST 20.3.89

PART 3 begins:-

DTP to PG 3.4.89

ccpd.

dti

the department for Enterprise

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

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

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5422
Our ref MM3ADQ
Your ref
Date 20 March 1989

NBPM

PRCG
20/3

Dear John

FUNDING OF RAILWAY PROJECTS

Thank you for your letter of 28 February about the role of grant in funding rail projects.

I do not think that there is much between us on this question. I am as keen as you to ensure that any Government grants should produce the greatest possible benefits, based on a hard, quantified economic case. All I am suggesting is that we should be ready to look positively at the case for providing grant where, by doing so, we can further increase the benefit derived from a particular project. It follows that I would be very happy to look at cases on their merits in the way you suggest; this is exactly the way I would like to proceed.

I am sending a copy of this letter to the Prime Minister, other members of E(A) and to Sir Robin Butler.

Yours
David

the Enterprise initiative

TRANSPORT: LRT Pt 2

cst.ps/7jm28.2/lets

CONFIDENTIAL

CE PLA

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

NDPM

RAG

1/3

The Rt Hon Lord Young of Graffham
Secretary of State for Trade and Industry
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1H OET

28th February 1989

Dear David,

FUNDING OF RAILWAY PROJECTS

In your letter of 10 February you asked for my further views on the role of grant in funding rail projects.

New rail infrastructure projects are most likely to generate significant road congestion benefits if they are projects within London or some parts of the south east. Our general approach is well set out in Paul Channon's preface to the Central London Rail Study report published in January:

> "The Government believes that, if there is to be new investment in transport in London, the passengers, who will benefit, should meet the cost of it through the fares they pay, rather than be subsidised by taxpayers in the rest of the country. Contributions should also be forthcoming from property owners and developers who stand to gain from the improvements to transport. Where these two sources of finance are not enough to make a project commercially viable, Government grant may be available provided the economic benefits, for example in the relief of road congestion, are sufficient to justify it."

This acknowledges that we are willing to look at the possibility of grants and, if these were given, I would think it most likely that they would be for road congestion relief. (I see no reason why passengers should not pay for the environmental protection cost of building a line from which they benefit.) But, as I said in my letter of 9 January to Paul on the CLRS, we would want to see a hard, quantified economic case for such grants. We do not want to be manoeuvred into a position where commitments are given to a project, other expected sources of financing then prove to be insufficient, and pressure builds up for more grants to balance the books.

TRANSPORT: UT. PT2

CONFIDENTIAL

In particular, I have serious reservations about your suggestion that we should put in grants to commercially viable rail projects where they can bring additional benefits, by way of increasing the scale of an investment or bringing it forward. The right approach must surely be to put the onus on potential private sector participants to come forward with commercially sound schemes in which they are willing to take on the costs and the risks. If we signalled in advance that we were willing to put in topping up grants for additional benefits that would be an invitation to them to tailor their proposals accordingly.

I do not think that we can usefully take this debate any further forward in general terms. Let us look at particular cases as they come forward, and then consider if there is any need for grants.

I am copying this letter to the Prime Minister, other members of EA and to Sir Robin Butler.

Yours Ever,
John

JOHN MAJOR

cst.ps/10jm27.2/drft

cc PU

CONFIDENTIAL

CHIEF SECRETARY TO THE TREASURY

NBPM
PRCG
27/2

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

27th February 1989

Dear Secretary of State

LONDON BUSES PAY

– top of file

Thank you for your letter on the pay offer London Buses Ltd (LBL) proposes to make to its staff.

In view of LBL's retention difficulties I am content for them to negotiate a settlement of up to 6½ per cent in a full year with a further ½ per cent for other benefits, making 7 per cent on earnings in all. It is essential that the pressure for productivity improvements is maintained. Although deregulation and privatisation is now to take place in the next Parliament, there must be no relaxation on this front if the LBL successor companies are to be ready for successful disposal then. It is of course also essential that the settlement is contained within the existing public expenditure provision and I am glad to note your assurance that this can be achieved.

I am copying this to the Prime Minister, other members of E(PSP) and to Sir Robin Butler.

Yours sincerely

Sheldon Kosky

JOHN MAJOR

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

TRANSPORT: LRT pt 2

cc P.U.

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
01 276 3000

CONFIDENTIAL

My ref:

Your ref:

The Rt Hon John Major MP
Chief Secretary to the
Treasury
HM Treasury
Parliament Square
LONDON
SW1P 3AG

NBPM
RLG
17/2

17 FEB 1989

Dear John,

Last year's pay round for London Regional Transport commences with London Buses Ltd's staff, and I have been given notice of the offer LBL propose to make when they meet the Unions on 28 February.

The unions representing the 13,000 drivers and conductors, and 3,000 engineers, have lodged claims of 14 and 15% respectively on basic pay, with associated benefits which would add to a 30% increase in LBL's wage bill. LBL propose to make an opening offer of 6%. But they are asking for freedom to negotiate up to 7%, of which 6½% would be wages and the remainder on other benefits. The tactics will of course be for LBL to decide within that ceiling. A 7% increase can be accommodated within the IFR settlement.

LBL have severe recruitment and retention problems. They are 725 drives short of complement (compared with 580 at this time last year). Wastage rates are 25% and they are having to spend considerable sums on recruitment, apart from the wasted costs associated with such a high staff turnover. Their efforts to maintain and increase patronage depend largely on improving the quality of service, and to do that they need to reduce staff shortages. Their research suggests that wage levels are the principal cause of resignations in an increasingly competitive London labour market. So recruitment and retention is the principal justification for their pay strategy this year.

LBL have a good record on productivity in recent years. But they believe they have nearly exhausted the scope for centrally negotiated productivity improvements. So the real cost of the settlement would be close to the full 7%. But this is their last round of central pay negotiations. Henceforth pay matters will be developed to the new subsidiary companies. LBL still expect to achieve a significant reduction in unit costs in 1989/90 as among other things, previous productivity related wage agreements bear fruit.

CONFIDENTIAL

LBL's proposal is based on their analysis of the needs of the business in relation to the labour market in which they have to compete. I propose, if you agree, to give them the negotiating authority they seek.

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

Yours

PAUL CHANNON

Paul

dti

the department for Enterprise

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

Rt Hon John Major MP
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

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Copies to:

PS/CDL
PS/Mr Maude
PS/Sir Brian Hayes
Mr Liesner
Mr Hilton CU
Mr Benjamin EM
Mr Mantle DTI/S
Mr Robertson EC1
Mr Nonhebel EC1
Mr Spivey CU2
Mr Gunner CU2a
~~Enclosures~~
Mr Talbot CU2a

Direct line 215 5422
Our ref MM3AAQ
Your ref
Date 10 February 1989

Dear John,

FUNDING OF RAILWAY PROJECTS

There is a general point arising from your correspondence with Paul Channon about the Central London Rail study on which I would welcome your views.

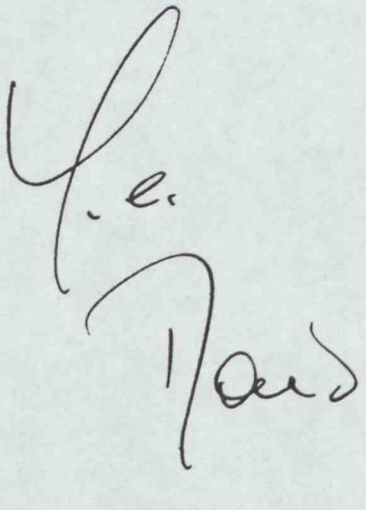
I fully agree that transport infrastructure projects should be appraised rigorously on the basis of full pricing to road and rail users; otherwise we will find ourselves over-allocating resources to transport. But I am glad you also accept that there is a case for providing grants to pay for non rail-user benefits, eg. lower road congestion, where a rail project is not otherwise commercially viable.

As you know from the E(A) discussion late last year, I believe we need to ensure that decisions on transport infrastructure take the whole picture into account. One of the most important factors in this is that decisions on particular infrastructure projects should take into account the effects not only for users and others directly affected, but also the wider benefits for those affected by, for example, diversion of traffic. Recognising inter-relations between rail and road use is a case in point; if a rail project can be tailored to deliver benefits to road users, then it seems right that an appropriate proportion of the cost should be paid for from

funds earmarked for road provision. Otherwise investors will have no interest in tailoring their projects to deliver the maximum attainable benefits and are likely to under invest in national terms.

It seems to me also that where a grant can be shown to increase the scale - or bring forward the benefits of a particular investment - it may also be appropriate to provide grants for commercially viable rail projects. Clearly, however, the grant would need to be commensurate with the potential benefit; and whether or not the project was said by investors to be viable with or without grant, it would be essential to be confident that the grant was achieving something additional.

I am sending copies of this letter to the Prime Minister, other members of E(A) and Sir Robin Butler.



TRANSPORT : LRT, Central to London Rail Studies
pt 2

From: THE PRIVATE SECRETARY

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

31 January 1989

Dear Dominic,

GUARDIAN ANGELS: THE LEGAL POSITION

You may find it helpful to see the enclosed note advising on the legal position relating to the activities of the Guardian Angels.

I am copying this letter and the enclosure to Roy Griffins (Department of Transport) and Trevor Woolley (Cabinet Office).

Yours sincerely,

P J C MAWER

Dominic Morris, Esq
Private Secretary
10 Downing Street

FRO

DVII.80

FROM: Robert Hazell
F3 Division
Ext 2678

30 January 1989

cc. Ms Adams
Ms Craig
Mr Chilcot
Mr Norris
HMCIC
Mr Addison
Miss Edwards
Miss Goose
Mr Soden
Mr Tompkins
Mr Mower
Mr Godfrey
Mr Lidington
Mr P Sutton

Mr Mawer

GUARDIAN ANGELS: THE LEGAL POSITION

I understand that the Home Secretary asked this morning for advice on the legal position relating to the activities of the Guardian Angels.

Immigration

2. When Liza and Curtis Sliwa first came here last October the Immigration Service advised that there was insufficient evidence to justify refusal of entry on non-conducive grounds. A similar decision was made when Curtis Sliwa and three others arrived at Gatwick last week (copy of Immigration Service report at Annex A).

Uniforms and Training

3. A copy of the relevant parts of the Public Order Act 1936 is at Annex B. The Guardian Angels' uniforms are not in breach of section 1 of the Public Order Act 1936, which only prohibits uniforms connected with political organisations. Section 2 seems nearer the mark: it makes it an offence to organise or train or equip an association for the purpose of usurping the functions of the police. But a prosecution would be most unlikely to succeed. It would require the consent of the Attorney General; and the organisers would argue that they were not usurping, but merely supplementing, the police's own patrols ('usurp' means to supplant, to seize or assume wrongfully).

F R

4. Nor do the other sections of the Public Order Act (now in the 1986 Act) offer any better prospects. Despite suggestions in recent press reports (Annex C), Guardian Angels on normal patrol would not be engaging in threatening, abusive or insulting behaviour; and the badges on their berets can hardly be said to be offensive weapons (as suggested by the West Midlands Police). They cannot be stopped from travelling on the underground. London Regional Transport have said that so long as they buy tickets and conform with the rules, they have a right to travel like any other passenger.

Citizen's Power of Arrest

5. Section 24 of PACE provides that 'any person may arrest without a warrant anyone who is in the act of committing an arrestable offence'. It is called a citizen's power of arrest to distinguish it from certain specific powers of arrest which can be exercised only by police constables. It can be exercised by any citizen, regardless of nationality; and it would be strange if this were not so. (If the power of arrest were limited to UK citizens it would mean, for example, that an American tourist who had his wallet snatched while over here would have no power to stop the thief.)

pp Kemptchs

ROBERT HAZELL

Encs.

POL/88 1087/51/50

ANNEX A

cc Mr Sanderson
Mr Hyde
Mr Morris
Mr Platt
Mr Flesher
Mr Varney
Mrs France
Mr McQueen
Mr McDonough
Mr Mower

From: P Tompkins
Immigration Service
760 2661
25 January 1989

MS HARRISON

THE GUARDIAN ANGELS

Mr Renton is aware of previous visits to the United Kingdom by members of this group when they were admitted as visitors. For ease of reference a copy of Mr Farrage's note of 18 October is attached. This note is to advise Mr Renton of the arrival on 24 January of the leader/founder of the group accompanied by three of its members.

BACKGROUND

2. Four Americans Curtis Sliwa, Donald Pompey, Sebastian Metz and Robert Powell who represent the group - Curtis Sliwa is said to be the founder and leader - arrived at Gatwick from New York on 24 January. They told Immigration Officers that they intended to stay for two weeks to further publicise their group's activities following on from their previous visits and to oversee training arrangements for those who had volunteered to become members. Due consideration was given to whether or not the purpose of the visit was one which would require the passengers to have obtained work permits. However it was concluded that in view of their limited involvement in the proposed training programme they were admissable under the visitor Rules. No grounds for refusal having been identified the passengers were admitted as visitors with a prohibition on

employment. It is the IND (with which Department of Employment concur) view that should the Guardian Angels seek to import employees to this country to participate in the group's activities on a more permanent basis then work permits would be required.

PURPOSE OF THE VISIT

3. Training would be carried out at the Tonbridge Club, 120 Cromer Street, London W1 under the auspices of Mr Tom Hibber who is a director of the Club and a member of the Amateur Martial Arts Association (UK) based at the Tonbridge Club. No previous training sessions had been carried out in this country and the aim of the visit was to ensure that the programme drawn up by Mr Hibber met the requirements of the Guardian Angels group. Apart from training in self defence and group tactics, St Johns Ambulance Brigade would provide a two day course in First Aid, and there were tentative arrangements for a talk from a lecturer in law at Farnborough Polytechnic and for a Prison Officer to talk on restraint. Between 60 and 80 people had expressed an interest in the group but it was expected that no more than a dozen would eventually be accepted as members on completion of training. A Mr David Edmonds, a British citizen who also holds an Irish passport, is the passengers' sponsor and he confirmed that he was responsible for their accommodation and maintenance for the duration of their stay here. The passengers' travelling expenses had been met from Guardian Angel funds and by Mr Sliwa's wife who is a fashion model.

MEDIA INTEREST

4. This latest arrival generated further media interest much of which has been concentrated on the time taken by Immigration Officers to reach a decision to grant the passengers entry. A chronology of events is attached.

P. Tompkins

(P TOMPKINS)

CHRONOLOGY OF EVENTS - 24 JANUARY

0930	-	Passengers arrive at Gatwick on flight VS 002 from Newark
0945	-	Initial interview and referred for further interview. Two Immigration Officers allocated to deal with passengers.
1030	-	Passengers taken to Customs Hall for baggage examination.
1115	-	Interviews with passengers resume.
1145	-	Sponsor, Mr Edmonds, contacted on airport concourse and informed that enquiries not yet complete and are continuing.
1300	-	Passengers are taken to lunch.
1305	-	Mr Edmonds interviewed by Immigration Officer
1450	-	Completed reports on passengers and sponsor sent to ISHQ.
1645	-	ISHQ inform Gatwick that after due consideration and consultation with Department of Employment passengers may be admitted as visitors.
1730	-	Passengers given leave to enter as visitors after having been brought back from Gatwick detention centre.

From: T Farrage
Immigration Service
760-2667
18 October 1988

cc Mr Tompkins
Mr McDonough
Miss Collins
Mr McQueen
Mrs Pallett
Mr de Llanos
Mr Willis (by fax)
Mr Sanderson
Mrs France (F3)

Mr Smith (by fax)

THE GUARDIAN ANGELS

Mr Renton will be aware of the media attention this group has gained. This note is to advise him of the circumstances surrounding their arrival in the United Kingdom.

BACKGROUND

Three Americans, Ms Lisa Sliwa, Mark Jamison and Hiram Wiggins who represent the vigilante group "The Guardian Angels" arrived at Heathrow from New York during the evening of Sunday, 16 October. They told immigration officers that they had been invited by the BBC at Pebble Mill to take part in a TV interview and would stay one week. No grounds for refusal were identified during the examination by immigration officers and the passengers were admitted as visitors with a prohibition on employment.

THE LEGAL POSITION

The passengers qualified for entry as visitors, and if none of them has been convicted of a criminal offence which would justify refusal of entry under paragraph 83 of the Immigration Rules, then they could have been refused entry only on the grounds that their exclusion was conducive to the public good. In the absence of a personal directive from the Secretary of State under para 85(a) of the Rules, any such refusal decision would have had to be based on the discretion granted to the immigration officer under para 85(b) of the Rules: ie "if it seems right to refuse leave to enter..... if for example, in the light of the passenger's character, conduct or associations it is undesirable to give him leave to enter." To justify such a decision the reasons for refusal must be specific, and not simply couched in general terms. On the facts before the immigration officer there was insufficient evidence to justify a decision to refuse entry on non-conducive grounds.

ANNEX B

(21)

CHAPTER 6.

An Act to prohibit the wearing of uniforms in connection with political objects and the maintenance by private persons of associations of military or similar character; and to make further provision for the preservation of public order on the occasion of public processions and meetings and in public places.

[18th December 1936.

BE it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows :—

Prohibition of uniforms in connection with political objects.

1.—(1) Subject as hereinafter provided, any person who in any public place or at any public meeting wears uniform signifying his association with any political organisation or with the promotion of any political object shall be guilty of an offence :

Provided that, if the chief officer of police is satisfied that the wearing of any such uniform as aforesaid on any ceremonial, anniversary, or other special occasion will not be likely to involve risk of public disorder, he may, with the consent of a Secretary of State, by order permit the wearing of such uniform on that occasion either absolutely or subject to such conditions as may be specified in the order.

(2) Where any person is charged before any court with an offence under this section, no further proceedings in respect thereof shall be taken against him without the consent of the Attorney-General except such as are authorised by section 12 of the Criminal Jurisdiction Act 1975, so, however, that if that person is remanded in custody he shall, after the expiration of a period of eight days from the date on which he was so remanded, be entitled to be discharged from custody on entering into a recognisance without sureties unless within that period the Attorney-General has consented to such further proceedings as aforesaid.

Prohibition of quasi-military organisations.

2.—(1) If the members or adherents of any association of persons, whether incorporated or not, are—

(*a*) organised or trained or equipped for the purpose of enabling them to be employed in usurping the functions of the police or of the armed forces of the Crown: or

(*b*) organised and trained or organised and equipped either for the purpose of enabling them to be employed for the use or display of physical force in promoting any political object, or in such manner as to arouse reasonable apprehension that they are organised and either trained or equipped for that purpose;

then any person who takes part in the control or management of the association, or in so organising or training as aforesaid any members or adherents thereof, shall be guilty of an offence under this section:

Provided that in any proceedings against a person charged with the offence of taking part in the control or management of such an association as aforesaid it shall be a defence to that charge to prove that he neither consented to nor connived at the organisation, training, or equipment of members or adherents of the association in contravention of the provisions of this section.

(2) No prosecution shall be instituted under this section without the consent of the Attorney-General.

(3) If upon application being made by the Attorney-General it appears to the High Court that any association is an association of which members or adherents are organised, trained, or equipped in contravention of the provisions of this section, the Court may make such order as appears necessary to prevent any disposition without the leave of the Court of property held by or for the association and in accordance with rules of court may direct an inquiry and report to be made as to any such property as aforesaid and as to the affairs of the association and make such further orders as appear to the Court to be just and equitable for the application of such property in or towards the discharge of the liabilities of the association lawfully incurred before the date of the application or since that date with the approval of the Court, in or towards the repayment of moneys to persons who became subscribers or contributors to the association in good faith and without knowledge of any such contravention as aforesaid, and in or towards any costs incurred in connection with any such inquiry and report as aforesaid or in winding-up or dissolving the association, and may order that any property which is not directed by the Court to be so applied as aforesaid shall be forfeited to the Crown.

(4) In any criminal or civil proceedings under this section proof of things done or of words written, spoken or published (whether or not in the presence of any party to the proceedings) by any person taking part in the control or management of an association or in organising, training or equipping members or adherents of an association shall be admissible as evidence of the purposes for which, or the manner in which, members or adherents of the association (whether those persons or others) were organised, or trained, or equipped.

(5) If a judge of the High Court is satisfied by information on oath that there is reasonable ground for suspecting that an offence under this section has been committed, and that evidence of the commission thereof is to be found at any premises or place specified in the information, he may, on an application made by an officer of police of a rank not lower than that of inspector, grant a search warrant authorising any such officer as aforesaid named in the warrant together with

any other persons named in the warrant and any other officers of police to enter the premises or place at any time within one month from the date of the warrant, if necessary by force, and to search the premises or place and every person found therein, and to seize anything found on the premises or place or on any such person which the officer has reasonable ground for suspecting to be evidence of the commission of such an offence as aforesaid:

Provided that no woman shall, in pursuance of a warrant issued under this subsection, be searched except by a woman.

(6) Nothing in this section shall be construed as prohibiting the employment of a reasonable number of persons as stewards to assist in the preservation of order at any public meeting held upon private premises, or the making of arrangements for that purpose or the instruction of the persons to be so employed in their lawful duties as such stewards, or their being furnished with badges or other distinguishing signs.

Powers for the preservation of public order on the occasion of processions.

3.- (1) If the chief officer of police, having regard to the time or place at which and the circumstances in which any public procession is taking place or is intended to take place and to the route taken or proposed to be taken by the procession, has reasonable ground for apprehending that the procession may occasion serious public disorder, he may give directions imposing upon the persons organising or taking part in the procession such conditions as appear to him necessary for the preservation of public order, including conditions prescribing the route to be taken by the procession and conditions prohibiting the procession from entering any public place specified in the directions:

Provided that no conditions restricting the display of flags, banners, or emblems shall be imposed under this subsection except such as are reasonably necessary to prevent risk of a breach of the peace.

(2) If at any time the chief officer of police is of opinion that by reason of particular circumstances existing in any borough or district or in any part thereof the powers conferred on him by the last foregoing subsection will not be sufficient to enable him to prevent

ANNEX C

30 DEC 1988

EXPRESS

OPINION

Angels may be a mercy 8

THE Home Office is said to be ready to use the law to prevent Guardian Angel vigilantes riding the London Underground. That should immediately alert the rest of us to one near certainty—Ministers do not use the Underground!

Were they to do so, regularly, they might be less dogmatically and arrogantly dismissive of the Angels and the idea of public-spiritedness they embody.

The millions who do use the Underground, indeed rely on it, are less convinced that a voluntary vigilante is such a bad idea.

Of course, the police and London Transport are dead set against it. But they would be wouldn't they? After all they have failed to deal with the rise in crime and loutishness on the Underground.

The presence of Guardian Angels would be a very public reminder of that failure.

London Underground is to get 50 more transport police, bringing the strength to 400. But what difference will that make? Hands up anyone who has actually seen a policeman on a train or patrolling platforms.

Naturally there are anxieties about the Guardian Angels. But reports from the U.S., where the force originates, suggest that they operate with effect and discipline—and with the gratitude of the public.

If Ministers started listening not only to those with a clear interest in opposing the Angels, they might discover that real concern about violence and threatening or offensive behaviour weighs far more on the minds of Tube users that abstract anxieties about vigilantes.

As is happening with an alarming number of issues, the Government is mis-reading the public mood.

Unless the law-abiding traveller feels safe to go about his business on the Underground, the pressure for Angels will become irresistible.

THE Sun

NO TO VIGILANTES 13

Vigilante bands modelled on the American Guardian Angels will not be allowed to police the London Underground, Government sources said yesterday.

DAILY EXPRESS

'Angels' crackdown 2

HOME SECRETARY Douglas Hurd has promised action against American-style vigilante groups like the "Guardian Angels" trying to enforce law and order on London's Undergrouund system or on Britain's street. But last night Tory MP Terry Dicks claimed vigilantes could help curb crime "simply by their presence."

Daily Telegraph

Underground vigilantes promise to abide by law 3

By A J McIlroy

LEADERS of the vigilantes who plan to mount anti-crime patrols on the London Underground from Easter said last night that they would keep "a low profile".

Mr David Edmond, in charge of the London chapter of the Guardian Angels, said the patrols would involve no more than a dozen trained members in total.

He was aware of Government and London Regional Transport concern that the presence of the Angels, an organisation operating in many parts of the United States, might not be desirable.

"We will be subject to the same laws of proper behaviour as the general public, and all of the 20 or so Angels in our initial programme will be fully trained in the art of non-violent detention, in first aid and all other necessary skills," he said.

London Regional Transport said it remained anxious about the Angels. It was possible that they might attract the wrong people, probably Right-wing, who might provoke the trouble they aimed to prevent.

"But we are not banning them. As long as they conform with the rules we cannot stop them using the Underground," a spokesman said.

A Home Office official said a newspaper report that the Angels would be banned from the Underground was untrue.

DAILY STAR

6 Angels' wings clipped

STAR REPORTER

GUARDIAN Angels vigilantes professing to stamp out crime will not be tolerated on London's Underground.

Whitehall sources said yesterday anybody trying to usurp the role of the police, and possibly committing an offence in the process, will be dealt with by existing laws.

The warning follows reports that so-called Guardian Angels—named after bands of vigilantes who patrol the New York subway—are planning to move onto London's Tubes.

The developments come on the heels of an increase in violent crime

DAILY Mirror

● The Government warned yesterday that bands of vigilantes like New York's Guardian Angels will not be tolerated on the London Underground. 7

67

STANDARD

30 DEC 1988

Angels to be banned from Tube

by Charles Reiss
Political Editor

THE Government is ready to crack down hard on vigilantes riding the London Underground.

Ministers are determined that the Guardian Angels now preparing to patrol the system will never go into large-scale operation.

They are prepared to use the existing law—or frame new legislation, if necessary—to stop what is seen as a menacing import from the U.S.

The Angels, despite opposition from the police and London Underground, plan to begin training next month.

The Home Office has already looked at contingency plans to strengthen the law. But Ministers believe that, if the Angels ever get into any remotely aggressive action, they are likely to fall foul of the existing Public Order Act and face arrest.

The Act, which became law only two years ago, includes an offence of "threatening behaviour".

It covers anyone who acts in a way which is "threatening, abusive or insulting and likely to cause harm or distress to others".

Untrained

It means the Angels themselves could be in trouble with the Transport Police, newly strengthened by Home Secretary Douglas Hurd and the Transport Secretary Paul Channon.

Mr Hurd and other Ministers have often appealed to the public to play a more active part in stopping crime.

But they have always stressed that the action should concentrate on crime prevention, such as neighbourhood watch schemes, and reporting suspicious incidents to the police.

Ministers share the police dismay at the thought of untrained or half-trained individuals acting as self-made policemen. And they mistrust the U.S. Angels uniformed, Right-wing image.

Mr Hurd and Mr Channon met earlier this month to look at the problem of policing the Underground. They did so against a background of fast-rising violent crime, including two recent killings.

London Underground has been given £15 million to spend on closed circuit cameras and better communications. Police will get an extra 50 officers, bringing the total to 400.

Flag A

DRAFT WRITTEN QUESTION ON THE PUBLICATION OF THE CENTRAL LONDON RAIL STUDY AND "TRANSPORT IN LONDON" AND THE ANNOUNCEMENT OF THE EAST LONDON RAIL STUDY

Question

To ask the Secretary of State what steps he is taking to improve transport in London.

Answer

I am today publishing a booklet entitled "Transport in London" setting out the Government's policy aims for transport in London and the steps being taken to achieve them. This is supported by a fuller, more technical statement on Transport in London which I am sending to the London local authorities and other interested bodies.

Much is already being done and planned to improve the quality of London's transport systems and to increase their capacity. Earlier this week I announced the East London Rail Study which is examining the best options for improving rail access from central London to Docklands and East Thames-side. Today I am publishing the Report of the Central London Rail Study jointly with the Chairmen of London Regional Transport and British Rail.

I welcome the Central London Rail Study Report as a major contribution to the debate on how best to improve services and provide for forecast demand on the rail networks serving central London.

The number of passengers using the rail networks serving central London is currently at record levels. The Study concludes that peak demand may grow by up to a further 20 per cent by the end of the century. To meet this demand and improve the quality of services a twofold strategy is proposed:

(i) A Major Upgrading Programme costing some £1.5bn. to make the best use of the existing infrastructure. This programme would allow more and higher capacity trains to be run; increase the capacity of Underground stations; and include service restructuring and other measures to ease bottlenecks and secure better operating performance. It would provide an early response to some of the most pressing problems but would not by itself be enough to cater for the forecast increases in demand and provide acceptable standards of service. Provision has already been made for some of this programme in present plans.

(ii) A package of new line construction. The Study proposes alternative packages each consisting of two new lines in tunnels under London.

Some work is required before decisions can be taken. This will be carried out in parallel with the East London Rail Study and will include work on how such investments might be financed. The Government believes that if there is to be new investment of benefit to passengers, it is they who should pay for it, rather than taxpayers from other parts of the country. Contributions should be forthcoming from property owners and developers where they also stand to benefit. Where these two sources of finance are not enough to make a project commercially viable, grants can be available provided that economic benefits, for example in the relief of road congestion, justify them.

I am now inviting interested parties to give their views on the proposals. In the light of these and the further work that remains to be done, I hope to be in a position to take decisions on the way ahead later this year.

I am placing copies of "Transport in London", the technical document supporting it, and the Report of the Central London Rail Study in the Library.

THE DEPARTMENT
OF TRANSPORT

PRESS NOTICE NO: 37

DATE: 26 January 1989

PAUL CHANNON PUBLISHES CENTRAL LONDON RAIL STUDY REPORT

Paul Channon, Secretary of State for Transport, today published the Report of the Central London Rail Study jointly with the Chairmen of British Rail and London Regional Transport. Responding to a Parliamentary Question from John Wheeler MP (Westminster North) he said:

> "I welcome the Central London Rail Study Report as a major contribution to the debate on how best to improve services and provide for forecast demand on the rail networks serving central London.
>
> "The number of passengers using the rail networks serving central London is currently at record levels. The Study concludes that peak demand may grow by up to a further 20 per cent by the end of the century. To meet this demand and improve the quality of services, a two-fold strategy is proposed:
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THE DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01 276 3000

performance. It would provide an early response to some of the most pressing problems but would not by itself be enough to cater for the forecast increases in demand and provide acceptable standards of service. Provision has already been made for some of this programme in present plans.

(ii) A package of new line construction. The Study proposes alternative packages, each consisting of two new lines in tunnels under London.

"Some work is required before decisions can be taken. This will be carried out in parallel with the East London Rail Study and will include work on how such investments might be financed. The Government believes that if there is to be new investment of benefit to passengers it is they who should pay for it, rather than taxpayers from other parts of the country. Contributions should be forthcoming from property owners and developers where they also stand to benefit. Where these two sources of finance are not enough to make a project commercially viable, grants can be available, provided that the economic benefits, for example in the relief of road congestion, justify them.

"I am now inviting interested parties to give their views on the proposals. In the light of these and the further work that remains to be done, I hope to be in a position to take decisions on the way ahead later this year."

NOTES TO EDITORS

1. The Central London Rail Study was launched by the Secretary of State for Transport in March 1988 and has been conducted jointly by the Department of Transport, British Rail, London Regional Transport and London Underground.

2. The main components of the proposed "Major Upgrading Programme" would be:

   - improvements to increase underground station capacity
   - investment to secure better operating performance
   - more trains
   - higher capacity trains
   - restructuring of services

3. The two alternative packages of new line construction proposed are:

   - the "Full Cross" consisting of BR-gauge tunnels joining Euston/Kings Cross in the north with Victoria in the south, and Liverpool Street in the east with Paddington and Marylebone in the west;
   - "East-West Crossrail" plus the "Chelsea-Hackney line" i.e., the same BR-gauge east-west line as in Full Cross with a tube-gauge line joining Wimbledon to Hainault via a new tunnel under London between Chelsea and Hackney.

4. Both packages would cost approximately £2 billion at today's prices.

5. A number of other smaller projects are thought to be worth further study, including the enhancement of Thameslink, the southern extension of the Bakerloo Line and a package of small sections of new line in western London. The extension of the Jubilee Line to Docklands is being considered in the East London Rail Study which was announced by the Secretary of State on 23 January 1989.

6. Interested parties are being asked to comment by 30 April 1989 to the Department of Transport, Room S15/05, 2 Marsham Street, London, SW1P 3EB.

7. The Report costs £12.00. Copies may be obtained from Department of Transport, Publications Sales Unit, Building 1, Victoria Road, South Ruislip, HA4 0NZ.

Press Enquiries: 01-276 0888; out of hours: 01-276 5999
Public Enquiries: 01-276 3000; ask for Public Enquiry Unit

THE DEPARTMENT OF TRANSPORT

PRESS NOTICE NO: 38

DATE: 26 January 1989

PAUL CHANNON LAUNCHES NEW BOOKLET: *TRANSPORT IN LONDON*

A new booklet setting out the Government's main transport goals for London was launched today by Paul Channon, Secretary of State for Transport. The booklet, called '*Transport in London*', describes some of the practical steps being taken to achieve them.

In his foreword to the booklet, Paul Channon lists five main aims. They are:

- providing through-traffic with good alternative routes around London;
- meeting the growth in demand for rail transport to, from and within central London;
- making the best possible use of existing roads throughout London;
- ensuring that London is properly linked to national an international transport networks;
- tackling the congestion 'black spots' in inner and outer London.

The booklet explains how these five aims are being given practical effect by the Government, the London boroughs, the police and the transport operators.

THE DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01 276 3000

Transport in London looks at some of the new rolling stock being bought by British Rail and London Underground. It describes some of the new trunk roads being built in London. It discusses the contribution parking controls and new technologies are making to easing the flow of road traffic in the capital. It deals with the proposed new rail link to Heathrow and the extension of the Docklands Light Railway. It mentions taxis for the disabled, road accident prevention measures, competition on bus routes, station refurbishment and a host of other initiatives being taken to improve the quality of transport in London.

Launching the booklet, Paul Channon said:

> "I very much hope that *Transport in London* will be read by everyone with an interest in London's transport problems. It will show them that the Government has a clear and coherent set of policy aims for transport in London. It will show them that an enormous amount is being done to increase the capacity, and improve the quality, of London's transport systems. Ant it will help to set the Central London Rail Study and East London Rail Study in a proper context."

NOTES TO EDITORS

1. The booklet '*Transport in London*' is published by the Department of Transport. Anyone interested in the booklet can obtain copies free from the Department of Transport, Public Enquiry Unit, Room P1/003, 2 Marsham Street, London, SW1P 3EB. For orders of 30 or more copies, write to the Department of Transport, Building No. 3, Victoria Road, South Ruislip, Middlesex, HA3 0NZ.

2. The booklet is a simplified version of a technical document prepared by the Department of Transport, '*Statement on Transport in London*', which is being sent today to the London local authorities, and other interested bodies. This is also available from the Department of Transport, Room C5/19A, 2 Marsham Street, London SW1P 3EB, Tel. 01 276 6103.

Press Enquiries: 01-276 0888; out of hours: 01-276 5999
Public Enquiries: 01-276 3000; ask for Public Enquiry Unit

M 27/1

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

NBPM

FRCG
27/1

The Rt Hon Margaret Thatcher MP
House of Commons
LONDON SW1A OAA

Dear Prime Minister,

TRANSPORT IN LONDON : CENTRAL LONDON RAIL STUDY

I thought you would like to know that I am making an announcement today about transport in London. I am enclosing with this letter copies of:

/ - A new booklet, "Transport in London" which sets out the Government's main transport goals for London.

/ - The Report of the Central London Rail Study.

/ - My Answer today to John Wheeler's written Question, announcing these two publications.

// - My Department's two Press Notices.

Copies of the two documents, and of a more technical supporting document on Transport in London, are being placed in the Library.

Yours,

PAUL CHANNON

Paul

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

26 JAN 1989

Dear Paul

CENTRAL LONDON RAIL STUDY, "TRANSPORT IN LONDON"

I am enclosing a copy of the progress report of the Central London Rail Study and the booklet "Transport in London", of which my Secretary of State is announcing the publication, by means of a written Parliamentary Answer (to Mr John Wheeler MP) at 3.30 pm this afternoon. I also enclose a copy of the Departmental Press Notice which will be issued at the same time.

I am sending copies of this letter and attachments to Philip Mawer (Home Office), Roger Bright (Environment), Nick Wilson (Employment), Neil Thornton (DTI), Carys Evans (Treasury) and to Trevor Woolley (Cabinet Office).

Yours

Roy

R J GRIFFINS
Private Secretary

FILE
FCL

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 January 1989

Dear Roy,

CENTRAL LONDON RAIL STUDY

The Prime Minister has seen your Secretary of State's letter to the Chief Secretary of 23 December, the subsequent redraft of his preface to the study and the letter of 9 January from the Chief Secretary.

The Prime Minister is content with the proposed plan to publish the report, but agrees with the Chief Secretary that any announcements about future plans should be circumspect. She hopes that your Secretary of State and the Chief Secretary can agree suitable amendments to the text.

I am copying this letter to Roger Bright (Department of the Environment), Neil Thornton (Department of Trade and Industry), Clive Norris (Department of Employment), Carys Evans (Chief Secretary's office) and Trevor Woolley (Cabinet Office).

Yours
Paul

PAUL GRAY

Roy Griffins, Esq.,
Department of Transport.

10 DOWNING STREET

PRIME MINISTER

My apologies for troubling you again with these papers, but DTp. are anxious to know whether you are ~~content~~ content for them to publish this report.

Content as at X on p.2 of my minute below?

PREG
16/1

Yes
CS

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
LONDON
SW1P 3EB

16 JAN 1989

Dear Nicky.

STATEMENT ON TRANSPORT IN LONDON

I am planning to issue a Statement on Transport in London to the Boroughs shortly. This will provide a background to my report on the Central London Rail Study (CLRS). It will also enlarge on the Transport chapter in your Draft Strategic Planning Guidance, on which I understand you plan to go out to consultation later this month. The Statement is a technical document setting out my approach towards the operation and development of London's transport systems.

I thought that you would like to see it before it goes out, and a copy is attached. Your officials, and those of colleagues, have seen a draft; and they have had the opportunity to comment.

My main purpose is to provide a comprehensive and authoritative statement of what we are doing about transport in London and where we are going. It seeks to explain our overall approach and to provide a context within which we can make specific announcements. It will be particularly helpful as an authoritative document for use at Public Inquiries. It is directed primarily at Borough Committee Chairmen and chief officers. I am also proposing to send it to London MPs and to give it broadly the same circulation as your draft strategic guidance: that is, to London-wide bodies interested in planning, including SERPLAN. The Statement will be available to the media if they ask for it. But I am also producing a more popular version for them and the wider public. This will be based largely on the technical document, but will be in a less formal style. I believe both documents will help to advance our policies and plans for transport in London. I propose that Peter Bottomley should signal the existence of the Statement to the London Boroughs at the annual meeting of the London Advisory and Consultative Committee on 19 January.

I am sending copies of this letter to the Prime Minister, Douglas Hurd, Norman Fowler, David Young, and John Major, and to Sir Robin Butler.

Yours,

Paul

PAUL CHANNON

Prime Minister

Content to handle as X overleaf?

PRIME MINISTER

CENTRAL LONDON RAIL STUDY REPORT

Yes MS PRCG 14/1

You will wish to be aware of this report that Paul Channon plans to publish in a fortnight's time.

The study was commissioned last March, against a background of growing congestion in central London. It covers British Rail and London Underground rail systems within the area bounded by the main London rail terminals. Other studies will be coming later - notably one on infrastructure covering road, rail and bus services for Docklands which will be ready in April.

The key points in this first report are:

i) there should be a major upgrading programme costing up to £1.5 billion;

ii) investment for new lines costing some £2 billion is needed to cope with future growth.

The papers attached are:

Flag A - Paul Channon's covering letter of 23 December;

Flag B - The latest draft of the report, comprising a preface by Paul Channon and the main report;

Flag C - A letter from the Chief Secretary;

Flag D - Comments by the Policy Unit.

I doubt if you need read the main report itself, although it does not take long to scan. The annex to the Policy Unit note provides a very helpful quick summary.

The Chief Secretary is content for Mr. Channon to publish the report, but he urges Mr. Channon to be more circumspect in avoiding any commitments to additional investment. He argues that any decisions on this must be taken within the normal PES context. The Policy Unit commented in very similar terms.

X | Content to support the Chief Secretary's and Policy Unit's words of caution on the presentation of the report?

RCG.

(PAUL GRAY)

Yes ms

11 January 1989

DCAARP

cst.ps5jm6.1/drft

cc PU

C

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

9 January 1989

Dear Secretary of State,

CENTRAL LONDON RAIL STUDY

Thank you for your letter of 23 December.

I do accept that the report should be published by the end of this month. However, if this is to be so, then it must be on the understanding that you make it very clear, both in the House and when briefing the Press, that at this stage in the exercise there can be no presumption as to whether, when, and to what extent any major new investment projects will go ahead. You should stress that the outcome will turn in particular on the further work on how any such investment would be financed; and it would help if the preface to the report said that any expenditure would be spread over a number of years. But in the meantime, we do not want a build up of press stories that the Government has effectively accepted £2 billion or so expenditure additional to the already large ongoing programmes for BR and LRT.

At the end of your draft preface, I would like you to say that you hope to be in a position to decide on the way ahead later in 1989, rather than towards the middle of the year; with a similar amendment to 7.5 of the report. I understand that if these new projects were to go ahead, expenditure on them could start in 1991-92. We must therefore consider them alongside your other proposals, notably for the road programme as well as for

other expenditure on BR and LRT, and in the context of the programmes proposed by other colleagues. Nevertheless, I agree with you that it would be helpful to aim for provisional decisions on the options in the summer, and I would like to discuss them with you then. But nothing should be announced until we have taken firm decisions in the Autumn on the 1989 Public Expenditure Survey. In the meantime, I would have no objection to provisional work by the operators in preparation for any Private Bills which might need to be laid at the end of 1989.

It may be helpful if I point to some of the main issues which I will want to discuss with you in the summer.

On investment we will need to consider among other things:

i. when it might start, and how it might be phased, not only in the PES period but beyond;

ii. how robust are the figures (and with major engineering on this scale and in London there must be considerable risk of overrun);

iii. the options on scale and on timing (if two projects are proposed are they concurrent, consecutive, or overlapping?);

iv. the degree of flexibility (is it realistic to assume that in response to cost overrun and/or reduced demand projects could be cut down once started?).

On financing, we need a much firmer idea of how, and over what period, an acceptable commercial return could be achieved on both existing and new assets. And we need to know what the build-up of additional revenue implies for public expenditure ie, to what extent will additional revenue lag behind the new investment?

You rightly start from the assumption that London passengers ought to pay for the benefits to them if these projects were to go ahead. But, as you point out, a great deal more work is needed on pricing structures and options; and I would like my officials to continue to be involved in this. We will need to see the outcome in the summer in the form of quantified options, together with an assessment of whether the two Chairmen accept them as realistic and deliverable. In the meantime, they should be left in no doubt that unless the projects can be financed very largely, or even entirely, from fares the whole case for them is undermined. We are not going to bail them out with grants in excess of what would be economically justified. I stress this point because I understand that Sir Robert Reid has major reservations on the implications for BR peak time fares.

I agree with you that it is right to look for contributions from property owners and developers who stand to gain from improvements to transport. Your difficulty here will be persuading them to contribute, if they are convinced that the projects are likely to go ahead anyway. In presenting the CLRS now you will no doubt seek to guard against this. I look forward to seeing your further analysis in the summer.

On grants, I accept that we should consider the case for road congestion relief grants if the projects were not otherwise self-financing and if a hard, quantified economic case can be made for such grants. But we must not be manoeuvred into a position where expectations build up and commitments are given, but then there is backsliding on fares and the Government is called upon to contribute what in effect would be deficit grants.

To bring home these points I think it would be helpful if the fourth paragraph of your preface were amended to read, after the second sentence:

> "Further work is also necessary on how such investments could be financed. The Government believes that if there is to be new investment in transport in London the passengers who will benefit should be prepared to pay for it, rather than be subsidised by the rest of the country. The necessary fare increases could be reduced if there were financial contributions from property owners and developers who stood to gain from the improvements to transport. But where these two sources were not enough to make a project commercially viable, it would have to be dropped or curtailed unless there were a well substantiated economic case for Government grant to pay for non rail user benefits, eg for road congestion relief, which could not be covered by revenues from rail passengers."

It would also help if you said in paragraph 3 that there was already some provision in present plans for the first stages of the upgrading programme,

I am sending copies of this letter to the Prime Minister, to Nicholas Ridley, David Young and Norman Fowler and to Sir Robin Butler.

Yours sincerely,

P. Woodfield

pp JOHN MAJOR

[Approved by the Chief Secretary and signed in his absence.]

TRANSPORT: LRT P2

CONFIDENTIAL

D

PRIME MINISTER

9 January 1989

CENTRAL LONDON RAIL STUDY

The Central London Rail Study (CLRS), is the first in a series of studies on the infrastructure problems in and around London. It will be published at the end of this month. (A two-page overview is attached).

The CLRS concentrates on the British Rail and London Underground rail systems bounded by the main London rail terminals (Waterloo, Kings Cross, Paddington etc). A study on infrastructure covering road, rail, bus etc for docklands will be ready in April. The remaining "London Assessment Studies" should be ready for publication in July.

The study concludes that in order to cope with growth in demand:

(a) A major Upgrading Programme which could cost up to £1.5bn is required and

(b) Investment in New Lines costing approximately £2.0bn would be needed to provide for the future growth predicted.

Paul Channon in his preface however clearly implies that the investments will be financed mainly through fare increases, supported where appropriate and possible, by those who stand to make significant development gains.

Because of its public nature, the CLRs does not discuss the phasing of these major investments though they would obviously carry PES round and EFL implications.

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The study has been comprehensive and should be well received. It could however give rise to premature expectations if the Department of Transport do not choose their words carefully when presenting the CLRS to the media. The Treasury, in their letter to Paul Channon, dated 9 January, have made know their worries about the handling of the press and have made some recommendations which will probably be incorporated in the final version.

Recommendation

I believe that you can confidently support the publication of the Central London Rail Study with the proviso that DTp remain circumspect in their pronouncements.

GREG BOURNE

CONFIDENTIAL

ANNEX

OVERVIEW OF THE CLRS

Demand continues to grow on both British Rail and London Underground. Congestion continues to worsen. The two ways of satisfying demand are:

a. Making the most of the current network

b. Building new lines and extensions.

Making the Most of the Current Network

The study identifies the critical points in BR and LUL systems that are bottlenecks. It proposes solutions which include work on:

- relieving congestion at underground stations
- improving the operating performance of services
- provision of more trains on certain routes
- provision of high capacity trains on some routes
- restructuring some services ie splitting the Northern Line,

This package, its several elements totalling an estimated £1.5 bn, would produce a significant improvement in the way our current assets are being used.

Building New Lines and Extensions

Seven Underground and four BR tunnel options ("cross rail") are discussed in the study. After initial analysis two alternative "packages" are taken forward for more detailed work.

CONFIDENTIAL

(i) A North-South crossrail from Euston/Kings Cross to Victoria, with two intermediate stops plus an East-West crossrail from Liverpool Street to Paddington/Marlebone with three intermediate stops.

This pair of routes is known as the Full Cross package and takes BR sized trains through tunnels under London.

(ii) The East-West crossrail described above plus a tube line from Chelsea to Hackney.

These mutually exclusive packages are both estimated to cost in the order of £2.0 bn. Further work to delineate these options will be completed by April this year.

SCPU

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

Carys Evans
Private Secretary to
the Chief Secretary
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1

Dear Carys

9 JAN 1989

CENTRAL LONDON RAIL STUDY REPORT

Further to my Secretary of State's letter to the Chief Secretary of 23 December, I now enclose a copy of the latest draft of the Central London Rail Study Report. This includes maps of the schemes, though these are not yet in final form.

The text is currently being typeset so that it can be ready for publication in the week beginning 23 January. Even this, however, is still not quite in its final form. In particular, we intend to incorporate cross-references to the East London Rail Study (which our Ministers hope to announce before the CLRS Report is published) and to specify in both the preface and the conclusions the two packages which are recommended for further study.

I am sending copies of this letter and the draft Study Report to Paul Gray (No. 10), Roger Bright (Department of the Environment), Neil Thornton (Department of Trade and Industry), Nick Wilson (Department of Employment) and Trevor Woolley (Cabinet Office).

Yours

Neil

N T E HOYLE
Private Secretary

6 January 1989.

CENTRAL LONDON RAIL STUDY

Secretary's of State's Preface

London's economy has been growing strongly in recent years. This growth is expected to continue. More and more people are seeking to come to work in the tightly packed central area. Parts of inner London, most notably Docklands, are being transformed. In outer London, the general revival in the national economy has contributed to sharp increases in traffic levels. All this is putting severe strains on London's transport system, which is suffering from heavy congestion at peak times, on both road and rail.

2. It was against this background that I set up the Central London Rail Study in March 1988. The Study has been conducted jointly between my Department, British Rail and London Regional Transport. A group under my Chairmanship, including the Chairmen of British Rail and London Regional Transport, has agreed that its findings should now be published.

3. The Report calls for a major upgrading programme of the existing rail networks. This will provide an early response to some of the most pressing problems. The Study also identifies two major options for substantial additions to London's rail infrastructure, as a full response to the continuing problems that are likely to be with us in the longer term.

4. Some of the assumptions and estimates which underlie this Report can only be tentative at this stage. Before decisions can be taken on the very large investments that are proposed, these estimates will have to be refined. Further work is also necessary into how such investments are to be financed. The Government believes that new investment should be that which users are prepared to pay for as beneficiaries through fares, supported where appropriate by property owners and developers who stand to gain from the improvements to transport. Where these sources are not enough to make commercially viable a project

which appears justified on economic grounds, Government grant can be available if justified by external benefits which cannot be recovered through revenues.

5. I believe this Report is a major step forward in meeting London's transport needs. Interested parties are being asked to give their views on their proposals in this document, and to state their preferences. In the light of these and the further detailed work that remains to be done, I hope to be in a position to take decisions on the way ahead towards the middle of 1989.

CENTRAL LONDON RAIL STUDY

1. TERMS OF REFERENCE

1. The terms of reference for the study were as follows:

- To develop a strategy for improving services for passengers on the British Rail and Underground networks in London, and to provide for forecast demand on the two networks up to the end of the century, with particular reference to passenger congestion in the area bounded by the major rail termini and their approaches.

- To have regard to the need to make the best use of existing assets.

- To put forward packages of measures, at different forecasts of demand, whose costs are justified in terms of revenues, demonstrating the extent to which proposed improvements could be financed from fares, and where necessary taking account of quantified external benefits.

- To present the strategic choices.

In this report, the study team outlines its analysis of these issues and identifies some promising schemes. The next phase of work, to be completed by July 1989, will bring the analysis of schemes to the point where the Government and the railway operators will be in a position to take the necessary decisions.

2. PAST TRENDS AND PRESENT PROBLEMS

Recent Trends

2.1 Since 1983, there has been a substantial increase in the number of morning peak period passengers entering central London by rail as the following table and **Figure 1** show:

Thousands of Passengers	1980	1983	1987	1988 (provisional
Underground	305	323	403	415
British Rail	412	384	449	465
	717	707	852	880

Approximately half of the morning peak passengers arrive in London between 8 and 9 o'clock. Both London Underground and British Rail services are now carrying record numbers of passengers into central London. In addition, the Underground today distributes some 200,000 British Rail passengers within central London, some 50% more than in 1983.

Some of this growth has been at the expense of bus, coach, car and cycle traffic, which have all declined in the last few years, but there has also been a general increase in commuting to central London of some 100,000 people per day.

The result has been to place the existing rail system, particularly the Underground, under increasing pressure. On Network South East, the tendency for growth to be focused on longer distance commuting from beyond the Greater London boundary has also led to acute problems on certain services.

Overcrowding on the Underground.

2.2 Whilst off-peak demand has grown by 80% or more since 1980, the major challenge facing the Underground is coping with the 35% growth in peak traffic over this period. **Figure 2** shows the sections of the network which were above the Underground's "planning standard" in 1987. This is, broadly, that on average over the busiest peak hour no more than one person should have to stand for each seated passenger.

Overcrowding on British Rail

2.3 Network South East's planning standards recognise that most British Rail journeys are longer than those on the Underground. The standards are that no passenger should have to stand for over 20 minutes and that no more than 35 passengers should have to stand for every 100 seated on sliding-door stock and no more than 10 should have to stand for every 100 seated on slam-door stock. **Figure 2** shows the sections of the network which exceeded these standards in 1987.

Congestion at Stations and Interchanges

2.4 As well as overcrowding on trains, congestion at stations is now a major problem. At some **25** Underground stations, serious congestion is already occurring at peak periods, either in the ticket hall, on lifts or escalators, or at platform level. A further **10-15** stations will become seriously congested by the end of the century if demand continues to grow as forecast.

British Rail stations, being generally above ground and more spaciously designed, do not suffer from severe congestion to the same extent. However, a shortcoming of the London rail network is that nearly all Network South East services terminate at stations on the edge of the central area, where many passengers change onto the Underground or buses. These stations are amongst the most congested on the network and are also served by the most crowded Underground lines.

3 FUTURE PROSPECTS

Future trends: planning assumptions

3.1 In order to evaluate major schemes against a backcloth that reflects likely travel patterns in the future, the study

developed a view of how London's economy and employment patterns is likely to evolve up to the turn of the century (2001).

The demographic forecasts have been taken from published projections developed by the London Research Centre. These imply, broadly, little change in London's population overall - though with significant growth in Docklands. The Study assumes a 2 per cent per annum growth in GDP per head and growth in car ownership of some 20% by the turn of the century. Real fare levels are assumed to move in line with GDP.

A crucial element of the planning assumptions is the view taken of the scale of employment growth in Central London and Docklands, and of where new employees will live. Two employment growth projections have been adopted:

Employment Growth 1987 to 2001	Lower projection	Higher projection
Central London	+ 100,000	+ 150,000
Docklands (Newham and Tower Hamlets only)	+ 120,000	+ 150,000
	+ 220,000	+ 300,000
Rest of London	+ 60,000	+ 120,000

For the present study, the critical element is the substantial growth expected in central London employment. Work has concentrated on the lower projection and, except where otherwise stated, all the estimates and forecasts in this report relate to that projection.

Whilst more jobs are expected to be created in Docklands, the problems facing the rail network serving Central London are more acute as many of the corridors feeding into Central London are already severely congested and, unlike the Docklands Light Railway, cannot readily be upgraded to take substantially higher traffic volumes. The detailed implications of the growth in Docklands are being assessed separately. A discussion document on Docklands public transport strategy has been prepared by London Regional Transport and the London Docklands Development Corporation and is currently the subject of a public consultation. A proposal put forward by Olympia & York for a new Underground line from Waterloo to Greenwich is also under consideration.

The place of residence of workers has also been reviewed. In line with past and current trends, further substantial growth in commuting from outside London has been assumed with long-distance commuting projected to grow by some 30-40%, whereas the number of workers living inside London is only expected to grow by some 7%.

Traffic Growth Forecasts

3.2 The implications of the planning assumptions (and of the major schemes described later in the report) have been explored using the strategic model developed following the 1981 Greater London Transportation Survey. This "LTS model" is currently maintained for the Department of Transport by MVA Consultants. Where necessary in assessing schemes, use has also been made of data derived from the operators passenger origin and destination surveys.

Tests using the LTS model indicate that with only the lower employment projection plus the other assumptions outlined above, travel by both road and rail is likely to increase substantially by 2001.

London-wide car traffic is forecast to increase by some 10% in the morning peak. Car trips to and through central London could also rise by a similar amount.

Morning peak rail traffic entering central London is forecast to increase by some 15% with BR trips growing by nearly 20% and Underground trips by about 13%. In addition Underground trips from BR stations within the central area are forecast to increase by 20% during the morning peak. The attraction of Docklands as an employment centre is expected to moderate the growth of commuting by Underground from the east to central London. At the same time, the number of passengers crossing central London to reach Docklands is forecast to increase.

Highway Network and Docklands infrastructure assumptions

3.3 A substantial programme of investment in roads has been assumed. This includes the proposed upgrading of the North Circular Road, the construction of the East London River Crossing and a new road network in Docklands. Extensions of the Docklands Light Railway to Bank, Beckton and Lewisham are assumed with increased frequencies and capacities.

4. MAKING THE MOST OF THE CURRENT NETWORK

4.1 The study has considered the extent to which present and forecast demand can be catered for by increasing the effectiveness and capacity of the existing network without building new lines or extensions. It is clear that a "Major Upgrading Programme" consisting of the following items could make a substantial contribution to relieving congestion:

- improvements to increase Underground station capacity
- investment to secure better operating performance
- more trains
- higher capacity trains
- restructuring of services.

1. Improvements to increase Underground station capacity

An estimate of some £450m has been made of the cost of works needed at the seriously congested Underground stations (See Section 2.4). This figure assumes that some new sections of line will be constructed relieving certain stations as a result.

2. Investment to secure better operating performance

On both LUL and NSE, the number of trains actually operated during peak periods is less than the schedule. Congestion itself is an important cause of LUL's shortfall - extended station stops mean that it is not possible to operate in full the scheduled number of trains. This problem will get worse as congestion grows.

The Major Upgrading Programme might include expenditure of some £50m on a range of measures to improve operational performance: for example, measures to improve the operation of critical junctions and more rigid enforcement of station stop times.

3. More Trains

Where the number of trains operated is below the maximum that a line can cater for, more passengers can be carried by investing in more trains and drivers. This is being programmed already on certain British Railways' lines, such as Moorgate-Bedford. On the Underground, 16 new trains are currently being brought into use to increase services on several lines. In general it has been assumed that a Major Upgrading Programme would increase service frequencies wherever this seems likely to be cost-effective.

A constraint on some lines is that the signalling system was not designed for maximum capacity because demand at the time did not justify it. Resignalling schemes are already programmed on sections of both Network South East (services out of Marylebone) and the Underground (Central Line), to increase capacity. It has been assumed that the Bakerloo and Jubilee lines would also be resignalled and peak services increased.

4. Higher capacity trains

Where there is no room for more trains to run, it is sometimes possible to run longer trains. Platforms at all stations involved must then be lengthened. On a surface railway such as Network South East this could be cost-effective. On the South-Eastern suburban lines from Charing Cross/Cannon Street to Dartford, Orpington and Hayes, longer platforms are already planned to serve 12 car trains. The case for similar extensions will be assessed on the routes to Cambridge once 12 car platforms can be provided at the London termini following the Kings Cross and Liverpool Street

developments.

There is, however, little scope for running longer trains on the Underground as the cost of lengthening deep level platforms and the disruption this would cause would be generally prohibitive.

New carriages can be designed to carry more passengers, for example by installing higher density seating to increase line capacity. This solution is proposed for some lines to Kent and Essex.

5. Service Restructuring

In some locations, the structure of services restricts the capacity that can be provided. A notable example is the Underground's Northern Line, where the junction at Kennington effectively imposes a limit of 24 trains per hour on the West End and City branches. If the Northern Line were operated as two separate lines the frequency and reliability of the service on each could be enhanced. The Major Upgrading Programme contains a provision of some £60m for a package of improvements of this kind.

4.2 Such a Major Upgrading Programme would involve substantial expenditure. Preliminary estimates are as follows:

	£ million
Relief of Underground station congestion	450
Improved Underground operating performance	50
Additional NSE rolling stock and platform extensions	600
Enhanced Underground services	400
Total	1500

4.3 The components of such a programme will be refined over the coming months with a view to ensuring that when projects come forward for full investment appraisal in due course they are likely to satisfy the criteria normally applied to such schemes by the railway operators and the Government. There may well be changes as a result, but the preliminary assessment which has been carried out is sufficiently encouraging to suggest that a programme of this type is a reasonable starting point for the assessment of more radical proposals. Such a programme would represent the maximum which could be done without new infrastructure. It would make the best use of existing assets in accordance with the study's terms of reference.

Effects of a Major Upgrading Programme

4.4 This Major Upgrading Programme would produce a significant improvement compared with the very high levels of congestion which would otherwise be reached. It would not eliminate overcrowding on London's railways -though it should mean that conditions should not deteriorate too much over the coming years if growth does not exceed the study's lower

projections. The areas of congestion which are expected to remain in 2001 are illustrated in **Figure 3.**

NSE

4.5 On most of Network South East, the predicted traffic levels in 2001 could be accommodated by the provision of the additional coaches or complete trains envisaged in the Major Upgrading Programme. However, the critical sections from Liverpool Street to Shenfield and from Waterloo to Surbition will continue to be overloaded even at the lower employment projection.

The Underground

4.6 On the Underground, **Figure 3** demonstrates that peak congestion is likely to remain widespread.

Summarising by line, the forecast position in 2001 after a Major Upgrading Programme would be as follows:

1. Bakerloo and Jubilee Lines

   No overloading (peak train frequencies increased substantially by Major Upgrading Programme)

2. Central Line (after modernisation has increased peak capacity by 16 per cent)

   Overcrowding reduced between Stratford and Liverpool Street as a result of competition from Docklands for office workers, but overloading still 25% despite increased peak frequencies.

   Overcrowding increased compared with the present day between Liverpool Street and Chancery Lane, to 45% above planning standard. As to-day, this would remain the most heavily used section of the Underground.

3. District Line

   Overcrowding increased between Parsons Green (Wimbledon Branch) and St James's Park: maximum overload 20% approaching Earls Court from the south.

4. Metropolitan & Circle Lines

   Slightly overloaded between Baker Street and Great Portland Street and between Kings Cross and Farringdon.

5. Northern Line

   Overcrowding in the central area eliminated by the restructuring envisaged in the Major Upgrading Programme.

   Clapham Common to Stockwell 25% overloaded. (The

southern part of the Northern Line cannot be increased in frequency).

6. Piccadilly Line

Overloading expected to increase to 20% between Earls Court and Knightsbridge.

7. Victoria Line

Increased crowding southbound between Euston and Oxford Circus, to a level of 25% above the planning standard. Northbound, overloading confined to the stretch between Victoria and Green Park.

5. NEW LINES AND EXTENSIONS

Introduction

5.1 Over the years, very many proposals have been put forward to improve London's rail system. These provide a wealth of ideas for tackling the congestion problems which are forecast to remain after a Major Upgrading Programme.

The proposals examined by the study team fall into two categories:

1. new Underground lines and extensions; and,

2. extension of surface lines to run under the central area - the "Crossrail" concept.

New, Underground lines and extensions

5.2 Several options were examined by the study team:

1. The overlapping Victoria Line scheme

This scheme envisages a new tube line between Kings Cross and Victoria creating two separate lines from the existing Victoria Line:

Line A: Brixton to Kings Cross : via existing route

Line B: Victoria to Walthamstow : via new route to Kings Cross, then by existing Victoria Line to Walthamstow.

This is illustrated in Map 1.

Preliminary work indicates that such a scheme is feasible, though there would be major difficulties at Kings Cross including diverting the existing Victoria Line whilst in full passenger use. A new depot site would also have to be found in the Brixton area or beyond.

Analysis of the traffic potential of the scheme indicates significant relief to the Victoria Line's central sections but little effect elsewhere. As a

result of the additional interchanges required of many passengers at Kings Cross and Victoria, the benefits of the scheme would be low relative to its cost (some £350m).

2. Jubilee Line Extension to Liverpool St and Whitechapel

Jubilee Line trains from the North currently terminate at Charing Cross. An eastward extension to the City, aiming to relieve overcrowding on the Central Line, is an obvious possibility. From Charing Cross, the new line would run via Aldwych, Ludgate/Blackfriars to St Pauls, Liverpool St and Whitechapel (**See Map 2**).

Feasibility of the scheme has been broadly established though the pace of development of buildings with deep foundations in the City is such that unless a route is safeguarded soon, it may not be possible to construct except at very deep level.

The traffic levels forecast for the scheme were relatively low, although significant relief of the Central Line was predicted. Again, the need to interchange appeared to be a major factor deterring use and holding benefits down well below the estimated cost.

3. Jubilee Line Extension to Ilford

Since the Central Line is overloaded for much of its length in East London, a Jubilee Line extension to Stratford and Ilford was evaluated. This gives easy interchange with the District and East London Lines (**See Map 2**). Outline capital cost of the complete extension from Charing Cross is put at some £700m.

Analysis indicated that the most heavily loaded section of the new line would be between Whitechapel and Liverpool Street. However, the predicted peak hour load was only about half the capacity of the line. The only sections of the Underground where overcrowding would be relieved would be the Central Line and the Metropolitan/Circle Lines, and on the most critical sections, relief would only be partial (**See Figure 4**). This reflects the fact that even in this form access to the extended Jubilee Line would be limited and train speeds less than those of the BR network.

Extending the Jubilee Line to Ilford would however transfer a significant number of passengers from certain British Rail stations, allowing a reduction in the number of inner suburban trains. This, in turn, could allow some additional outer suburban trains to be operated, reducing overcrowding from towns such as Chelmsford. Overall, however, the case for this scheme

seems much weaker than for other schemes to relieve the Central Line corridor.

4. Extension of the Jubilee Line to Docklands

Instead of a routeing via Liverpool St, an extension of the Jubilee Line via London Bridge is a possibility (See **Map 2**) . Preliminary work indicates that such a scheme on its own would have only a limited impact on central area congestion. However, from London Bridge it would be possible to extend the line further into Docklands, serving the Canary Wharf development on the Isle of Dogs. This would be an alternative to the stand-alone line being proposed by the Canary Wharf developers (see Map 4). Further evaluation of both these options is being carried out.

5. Chelsea-Hackney Line

A new tube line crossing London from south west to north east has been mooted for many years, and a number of different options are possible. A route via Victoria, Kings Cross and Angel was chosen by the study team for its main analysis. (See **Map 3**). In the central area, the line would perform a similar function to the overlapping Victoria Line, but in addition would relieve the Western part of the District Line, as well as giving a rail service for the first time to Chelsea and parts of Hackney. By linking into the Hainault branch of the Central Line, relief would also be given to the Central Line from Leytonstone to Holborn.

Feasibility of the scheme is not yet fully proven. Particular attention will need to be given to feasibility at Victoria and Kings Cross and to the provision of a large surface site for a new depot. Outline capital cost is put at some £1300m.

Analysis of the scheme's traffic potential (See **Figure 5**) indicates that the alignment via Kings Cross would carry substantial numbers of peak hour passengers from both east and west, up to 16,000 per hour (ie about 80% of the line's planning standard capacity) between Victoria and Piccadilly Circus. At the same time, substantial relief would be afforded on the District and Piccadilly Lines around Earls Court and to the Victoria Line.

In addition, the Central Line would be relieved between Leytonstone and the City, with loadings reduced by up to 5,000 passengers per hour (reducing the excess demand above the planning standard from **x%** to **y%**). However this would still leave some overcrowding between Bethnal Green and the City as far as Chancery Lane.

The line would serve the Hackney, Dalston and Chelsea areas which are at present mainly dependent on buses for most public transport journeys. Substantial numbers of passengers would have considerable time savings. Despite its high cost, the scale of benefits

produced suggests that the line might be worthwhile. Further detailed analysis is justified.

6. Southern extension of the Bakerloo Line

The Bakerloo Line currently terminates at Elephant & Castle. It could be extended southwards for example through the Old Kent Road area to New Cross Gate and Lewisham. See **Map 4.** This would increase accessibility in inner London, but not increase capacity in the central area. Feasibility is broadly established.

Traffic assessment indicates that the maximum load on the new section from Lewisham to Elephant & Castle would be 10,000 passengers per hour. There would be a transfer of about 4,000 passengers an hour from buses, and an equivalent number from Network South East services through London Bridge.

The benefits appears to be encouraging compared with the costs, but, as it would not help to relieve congestion in the central area, it is not pursued further in this report.

7. The Western Package

This scheme envisages that a new section of the Central Line would be constructed from Shepherds Bush to Turnham Green. Richmond would then be served by the Central Line instead of the District and the frequency of District Line services to other western destinations increased. To avoid the complication of three Central Line branches, a further part of the package could be a new link from the Bakerloo Line at Queens Park to the Central Line at North Acton, and thence to Ealing Broadway. See **Map 5.**

Feasibility has been established and outline capital costs including the Bakerloo line branch would be some £150m.

The two new sections of the line proposed in the Western suburbs between North Acton and Queens Park (Bakerloo) and between Turnham Green and Shepherds Bush (Central) would carry relatively small numbers of passengers (3000-4000 in the peak hour). Nevertheless this package would relieve both District and Piccadilly Lines in the Earls Court area; indeed this is the only scheme which would reduce passenger loads on the Piccadilly Line below planning standards.

The scheme has a number of promising aspects but further work is needed before a definite view of its potential can be reached.

Crossrail

5.3 The Crossrail concept is substantially different from all

the previous schemes in proposing BR-gauge tunnels under central London to link existing rail services on either side. This would allow many suburban areas to be linked direct to central London destinations for the first time. Crossrail would relieve congestion at the main-line terminals and on some of the most crowded of sections of the Underground and enable better use to be made of certain suburban rail corridors. It would also release valuable capacity at BR terminals, which could be used for longer distance commuter trains.

Four major Crossrail routes were considered in the study.

1. North-South

From Euston/Kings Cross to Victoria, with intermediate stations at Tottenham Court Road and Piccadilly Circus (Map 6)

2. East-West

From Liverpool St to Paddington/Marylebone and the Metropolitan Line with intermediate stations at Farringdon, Tottenham Court Road and Bond Street (Map 6)

3. City

From London Bridge to Essex Road with intermediate stations at Fenchurch Street and Liverpool Street (Map 6)

4. Thameslink Metro

Unlike the above schemes this is not a new line but an enhancement of an existing one. The Major Upgrading Programme allows for 8 trains in the peak hour in each direction through Thameslink between Kings Cross and Blackfriars - a considerable increase on the current service. The Thameslink Metro scheme would develop Thameslink services still further to provide a concentrated, high frequency service similar to that provided by for example, the District Line (Map 7).

Feasibility of the Crossrail schemes has been broadly established, although finding suitable routes, station and working sites will become more difficult as time goes by. Outline capital costs (including rolling stock) are as follows:

- North-South Crossrail £895m
- East-West Crossrail £885m
- City Crossrail £520m
- Thameslink Metro £330m

The North-South and East-West schemes can be considered as a single package (the "Full Cross"). Alternatively, only some arms of the Full Cross could be constructed to give, for example, an East-South scheme from Victoria to Liverpool St via Tottenham Court Road and Farringdon.

5.4 Results of initial traffic analysis of the schemes is as follows:

1. North-South Crossrail

The Southern section, from Victoria to Piccadilly Circus, would carry over 20,000 passengers in the peak hour, the highest load on any of the new lines tested. The northern section, from Kings Cross to Tottenham Court Road, would be much more lightly loaded, with 8000 passengers in the peak hour. The scheme would provide relief for the Northern and Victoria Lines.

2. East-West Crossrail

Of all the schemes tested, this is the one which comes closest to eliminating overcrowding on the most heavily loaded section of the Underground between Liverpool Street and Chancery Lane. It is also the only one to reduce loads to below planning standard on the Metropolitan/Circle line East of Baker Street. It has some effect on the District and Piccadilly Lines around Earls Court; this is because many passengers from the Ealing area would use Crossrail in preference to the Underground.

3. City Crossrail

The scheme would do little to relieve overcrowding but direct passenger benefits and loadings (10,000 from the north and 16,000 from the south in the peak hour) were quite high.

4. Thameslink Metro

The capacity of Thameslink is at present limited by its signalling system on some sections, and most of the suburban lines have capacity constraints at junctions. To run a more intensive service would require significant expenditure on flyovers, trackwork and signalling, as well as new trains, but still far less than on a brand-new line.

To assess the potential value of an intensive Thameslink service a scheme with 10 trains per hour from St Albans to Wimbledon and Sutton, and 10 trains per hour from Enfield Chase to Croydon was tested, with new stations at Camberwell, Walworth and Southwark.

Results showed a high level of use with 18,000 passengers in the peak hour on the cross central London link. Some relief was provided to the Underground (See

Figure 6) notably to the overcrowded section of the Northern Line through Clapham.

5.5 Short-listing of projects.

Of the schemes tested, the least cost effective appeared to be those which provided new Underground capacity only within the central area, i.e. the overlapping Victoria Line scheme and the Jubilee Line extension to Liverpool Street and Whitechapel. It is proposed to discard these proposals at this stage.

Three of the proposals for new Underground lines do not appear to contribute significantly to solving the central area congestion problem, and have been set aside for the purposes of the present report. They are:

- the southern extension of the Bakerloo Line
- the extension of the Jubilee Line to Docklands
- the "Western package"

However, further work on these schemes is planned. A review of the Jubilee Line - Docklands options, in particular, is being given a high priority.

The City Crossrail option has also been put to one side as it would similarly do little to solve the central area congestion problem.

The remaining sections of this report look more closely at the case for the other schemes described in this section.

6. EVALUATION OF SCHEMES

Introduction

6.1 This section of the report presents preliminary estimates of the costs and benefits of schemes or combinations of schemes which seem promising in the light of the analysis in Section 5 and which would help to relieve the congestion which is forecast to remain after a Major Upgrading Programme. These are:

1. the Chelsea-Hackney Line
2. a Jubilee extension from Charing Cross to Ilford
3. Thameslink Metro
4. East-South Crossrail (linking Victoria and Liverpool Street).
5. East-West and North-South Crossrail (individually and in combination as the "Full Cross" scheme)

6. a package consisting of East-West Crossrail plus the Chelsea-Hackney line.

Costs

6.2 Broad cost estimates are given in **Table 1.** The differences between the schemes are largely determined by the length and diameter of tunnels (3.85m for Underground trains or 5.9m for BR stock) the ground conditions likely to be encountered and the number and complexity of stations. Preliminary civil engineering feasibility studies have been carried out for the East-West and North-South Crossrail options and the Jubilee Line extension.

The rolling stock cost depends on the number of trains required for the peak service frequencies envisaged. In the case of Crossrail it is assumed that few additional trains would be needed because through running would allow better use to be made of the existing number of trains. In contrast the Chelsea-Hackney Line would require some 80 new trains, a fully equipped main depot and considerable stabling.

Benefits

6.3 Estimated passenger benefits of the scheme at the lower demand growth assumption are set out in **Table 2.** The benefits assessed for each scheme include time saving to existing users, reduced congestion on trains and in stations, revenues from generated travel, relief of road congestion and reduction in road accidents.

Except for the Jubilee Line extension to Ilford, a major source of benefit is time saved by public transport passengers. The Jubilee Line extension suffers in this respect because it offers few new or faster links.

By contrast, time savings provide the Chelsea-Hackney line's principal source of benefit. This reflects the new areas served and the additional, more direct, links provided by the line. Congestion relief benefits are, however, still significant. Thameslink Metro's benefit profile is similar.

The Crossrail schemes score very highly in reducing overcrowding and road traffic congestion. East-West and East-South Crossrail, in particular, both produce very substantial overcrowding relief while also producing net time savings. North-South Crossrail's benefits, on the other hand, have a profile more akin to that of the Chelsea-Hackney Line.

Cost benefit assessment

6.4 Table 3 shows how the estimated costs of the scheme compare with the benefits to:

- public transport users

- road users

- the railway operators (additional revenue)

The Jubilee line extension to Ilford is the only scheme for which costs significantly exceed benefits, its poor showing reflecting the low time saving benefits if offers. It would not have a major impact on central area congestion and it is therefore proposed to discard this option.

The remaining schemes all have benefits which are estimated either to be approximately equal to costs or to exceed costs. All make significant inroads into the congestion problems but no single scheme would come near to providing a full solution. The study has therefore considered packages based on two major new lines.

Of the schemes tested involving major new lines, the East-South and East-West Crossrail options have the highest benefit to cost ratios. The East-South option linking Liverpool Street and Victoria combines a short length of new tunnel with the relief of two key sections of overloaded line - the Central Line eastbound from Stratford and the Victoria Line northbound from Victoria. However, the scheme offers no relief to other areas of congestion and complementary schemes are difficult to design. The East-West option on the other hand could be combined with either a North-South Crossrail or the Chelsea-Hackney Line. Both of the two-line packages thus created would provide something close to a complete solution - see **Figures 7 and 8.** As Table 3 indicates, both two-line packages appear have benefits which significantly exceed costs.

The Thameslink Metro has benefits which are over twice its costs. It is not, however, a new line and its impact on congestion is limited. It can be considered as a subsidiary option to add to one or other of the two-line packages identified. It would be physically feasible to combine it with both packages but it would compete to some extent with a North-South Crossrail, reducing the attractiveness of that option.

6.5 On the basis of this analysis, the most promising <u>single line</u> options appear to be:

- East-South Crossrail or

- East-West Crossrail.

<u>Two-line</u> options worth considering appear to be:

- the Full Cross scheme or

- East-West Crossrail plus the Chelsea-Hackney Line.

Further detailed work, including a refinement of the physical specifications of the individual options, is needed to clarify the results of the cost/benefit analysis conducted so far.

Financial Appraisal

6.6 The Government's policy on the financing of rail services was set out in its observations on the House of Commons Transport Committee Third Report, Session 1986-87, and was published as Cm.420 on 30 March 1988. The Government expects to approve investment in railways, where the investment will earn a commercial return. Each scheme, or recommended package of schemes, has therefore to be tested against that standard and modifications made with a view to maximizing the revenues in relation to the costs. Account also needs to be taken of the effects of each scheme over the wider network. In principle the schemes able to earn the best returns on the capital invested should also be those which best meet the needs of passengers as measured by their willingness to pay for them.

Some of the schemes under consideration, or parts of them, would also enhance land values or otherwise generate significant benefits for particular businesses or land-owners. Such beneficiaries may wish to enter into negotiation with the railway operators with a view to influencing the choice of routes, or their alignments, or the siting of stations in return for a significant financial contribution to reflect the benefits they would derive. These possibilities would have to be explored case by case. Experience of the Docklands Light Railway and the Paddington/Heathrow Link show that the private sector is prepared to make substantial contributions towards the cost of improved transport links where they will result in development gain or other commercial benefits.

If the revenues which can be expected from fares, together with financial contributions from developers, are not sufficient to pay for a scheme, the Government will consider the case for a grant if there are sufficient non-user benefits (eg in the relief of road congestion) to justify the amount requested to make the investment financially viable in accordance with the usual test discount rate.

Sensitivity Analysis

6.7 The results depend critically on the planning assumptions. Lower employment levels would deflate benefits roughly proportionately. If costs exceed the estimates, the case for the schemes would be similarly weakened. On the other hand, further employment growth would inflate benefits rather more than in proportion as crowding levels would become severe. On the whole, given the current trends in commuting revealed by the latest Peak Count Surveys, estimates of benefits may be cautious rather than optimistic.

These uncertainties will have to be taken into account in devising a strategy in which there should be as much scope

as possible for varying both the content and timing of future investments in response to significant changes in the underlying forecasts and assumptions.

7. CONCLUSIONS

7.1 Today's record demand for peak passenger traffic on the rail systems serving central London is likely to increase by up to 20% by the end of the century.

7.2 To meet this demand a major Upgrading Programme, costing some £1.5bn. is proposed to make best use of the existing infrastructure. This would help to deal with overcrowding, but would not by itself be enough to cater for the forecast increases in demand and provide acceptable standards of quality for London's rail passengers in the longer term.

7.3 To resolve this further problem, two alternative major packages of investment have been identified as sufficiently promising to merit further development, involving new railway lines across London. The capital cost of these options is of the order of £2bn. Further detailed work is needed on the refinement of the physical specification of these options before a clear choice can be made as a basis for decisions. This work will now be carried forward.

7.4 There is a need to demonstrate that the preferred schemes can be financially sound. This must be assessed in relation to the commercial objectives set for the two London rail operators, the implication for fares, and the case for any Government subsidy.

CENTRAL LONDON RAIL STUDY

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TABLE 1

COSTS OF NEW RAIL SCHEMES (£m)

	Capital Cost of Construction	Rolling Stock Costs	Equivalent Annual Capital Cost	Annual Operating Cost	Total Equivalent Annual Cost
Single Line Schemes					
Chelsea-Hackney	1000	330	110	40	150
Jubilee Line Extension to Ilford	560	80	55	15	70
Thameslink Metro	260	70	25	25	50
East-West Crossrail	870	15	75	10	85
North-South Crossrail	840	55	75	10	85
East-South Crossrail	650	50	60	10	70
Two Line Packages					
Full Cross	1710	70	150	20	170
East-West Crossrail plus Chelsea-Hackney	1870	345	185	50	235

Notes

1. Capital cost discounted at 7% per annum over 60 years (35 years for trains).

2. Construction cost spread over a five year period prior to line opening.

TABLE 2

ESTIMATED BENEFITS OF NEW CENTRAL LONDON RAIL SCHEMES

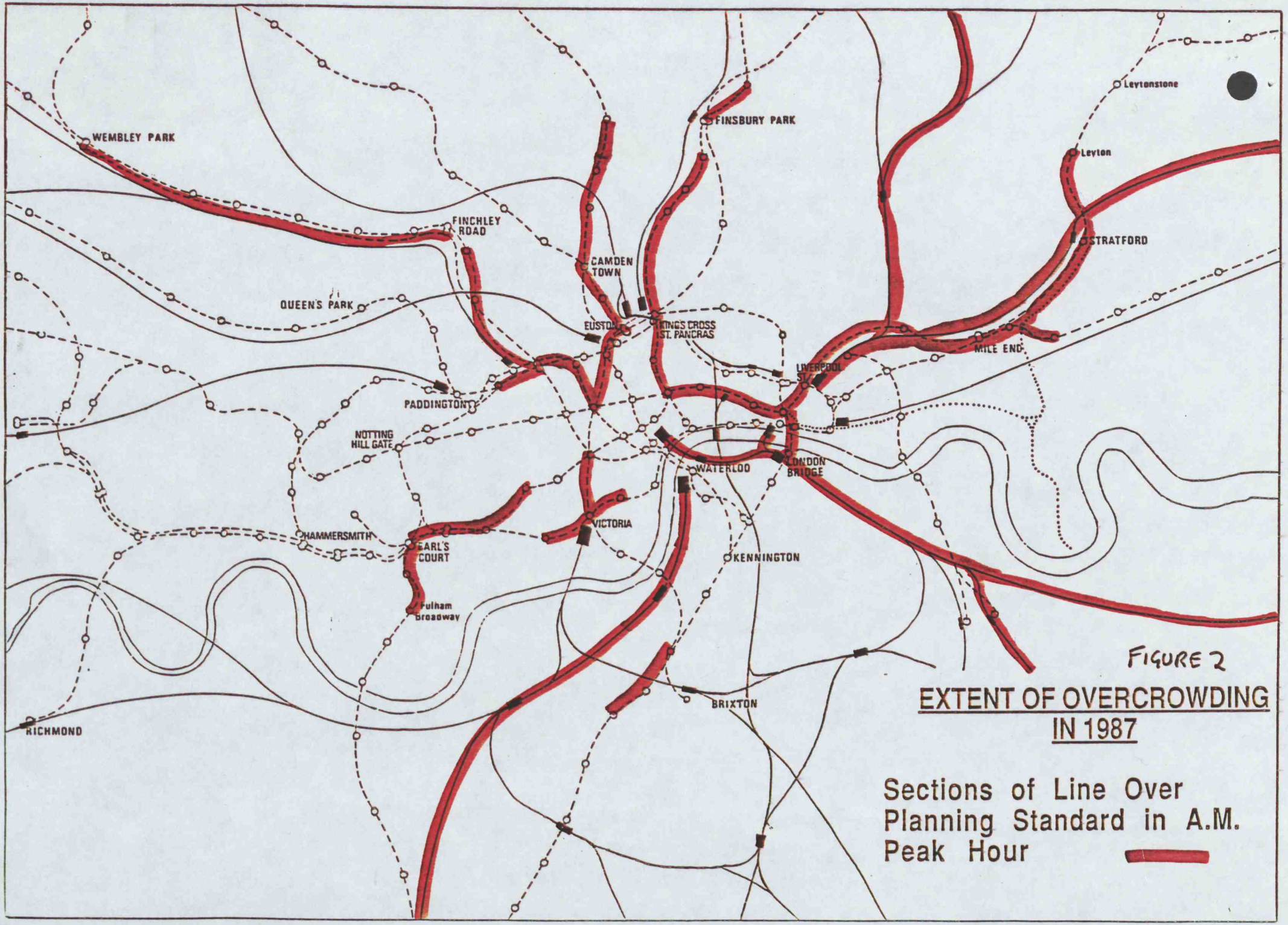
Estimated Benefits (£m pa)	Time Savings	Crowding Relief	Total Public Transport Users' Benefit	Road Users' Benefit	Additional Rail Revenue	Total Benefit
Single Line Schemes						
Chelsea-Hackney	60	30	90	20	20	130
Jubilee Line Extension to Ilford	5	25	30	5	5	40
Thameslink Metro	55	20	75	15	15	105
East-West Crossrail	30	70	100	20	20	140
North-South Crossrail	40	15	55	10	10	75
East-South Crossrail	55	40	95	20	20	135
Two Line Packages						
Full Cross	70	85	155	30	30	215
East-West Crossrail plus Chelsea-Hackney	90	100	190	40	40	270

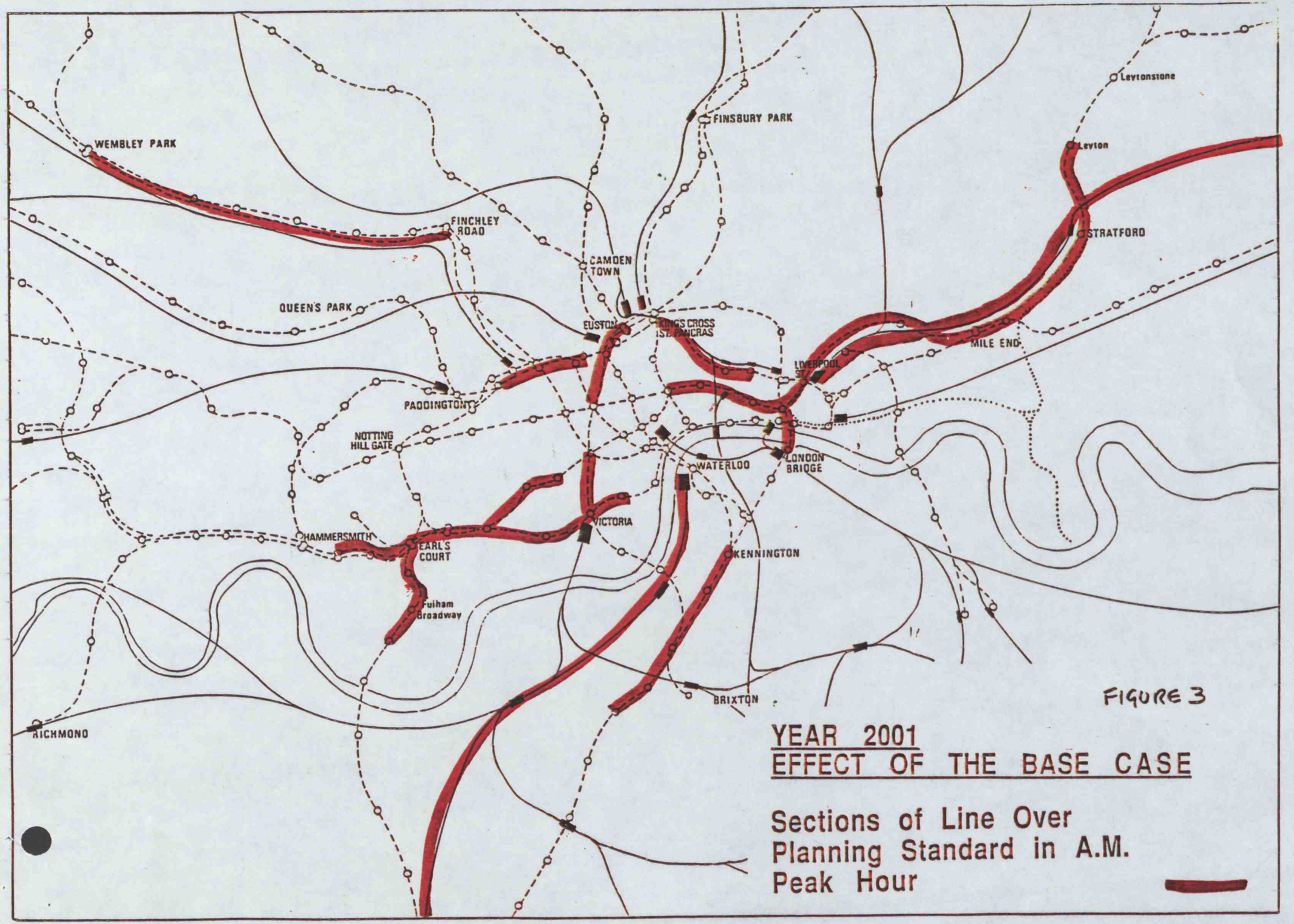
TABLE 3

ESTIMATED BENEFIT-COST RATIOS FOR NEW RAIL SCHEMES*
BASED ON TABLES 1 AND 2

Benefits as a Proportion of Total Annual Cost	To Public Transport Users	To Road Users	Revenue Gain	Total
Single Line Schemes				
Chelsea-Hackney	0.6	0.1	0.1	0.9
Jubilee Line Extension to Ilford	0.4	0.1	0.1	0.6
Thameslink Metro	1.5	0.3	0.3	2.1
East-West Crossrail	1.2	0.2	0.2	1.6
North-South Crossrail	0.6	0.1	0.1	0.9
East-South Crossrail	1.4	0.3	0.3	1.9
Two Line Packages				
Full Cross	0.9	0.2	0.2	1.3
East-West Crossrail plus Chelsea-Hackney	0.8	0.2	0.2	1.1

Rows may not sum up due to rounding


WEMBLEY PARK
FINSBURY PARK
Leytonstone
Leyton
FINCHLEY ROAD
STRATFORD
CAMDEN TOWN
QUEEN'S PARK
EUSTON
KINGS CROSS ST. PANCRAS
MILE END
LIVERPOOL ST.
PADDINGTON
NOTTING HILL GATE
WATERLOO
LONDON BRIDGE
VICTORIA
HAMMERSMITH
EARL'S COURT
KENNINGTON
Fulham Broadway
BRIXTON
RICHMOND
FIGURE 2
EXTENT OF OVERCROWDING IN 1987
Sections of Line Over Planning Standard in A.M. Peak Hour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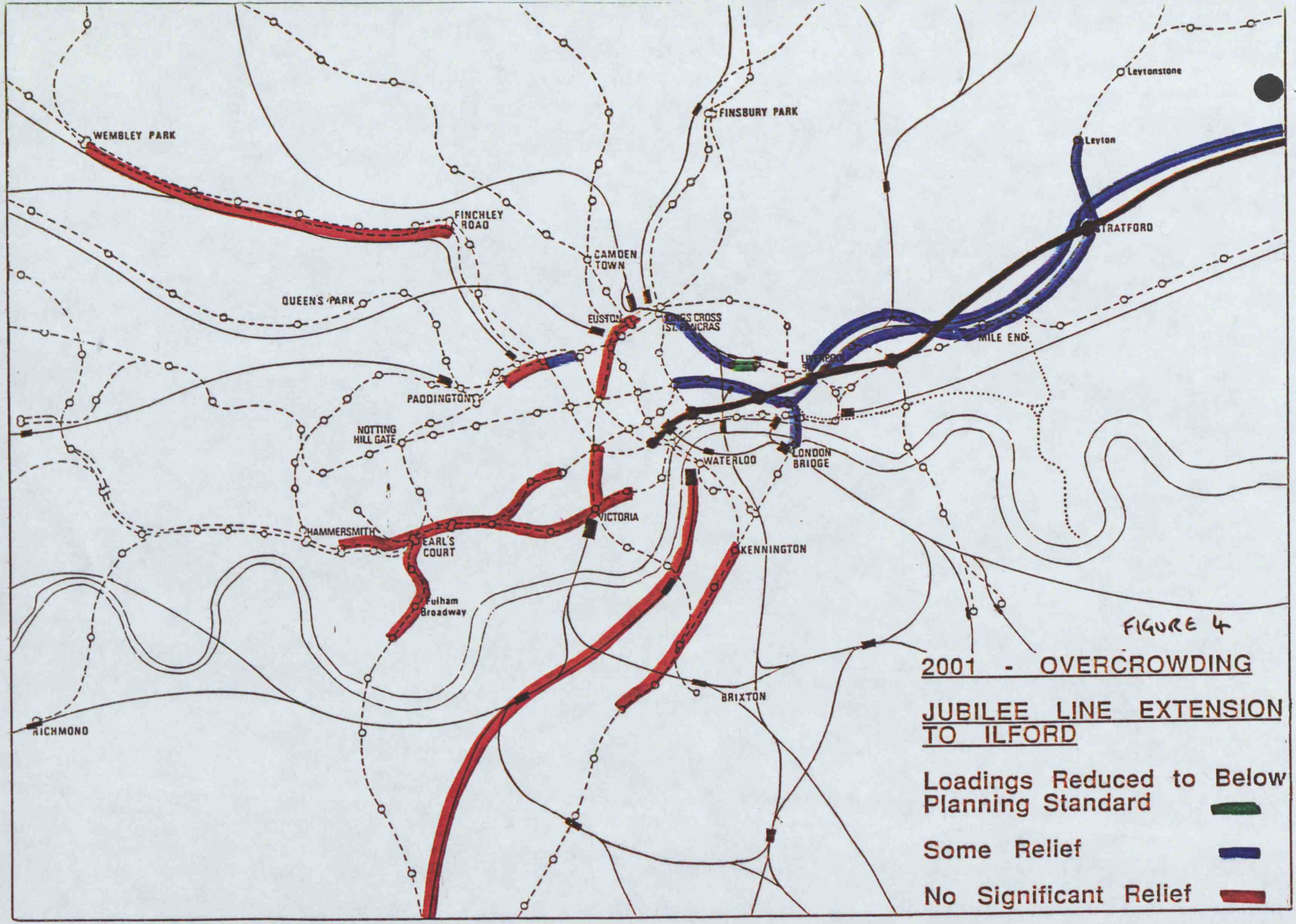
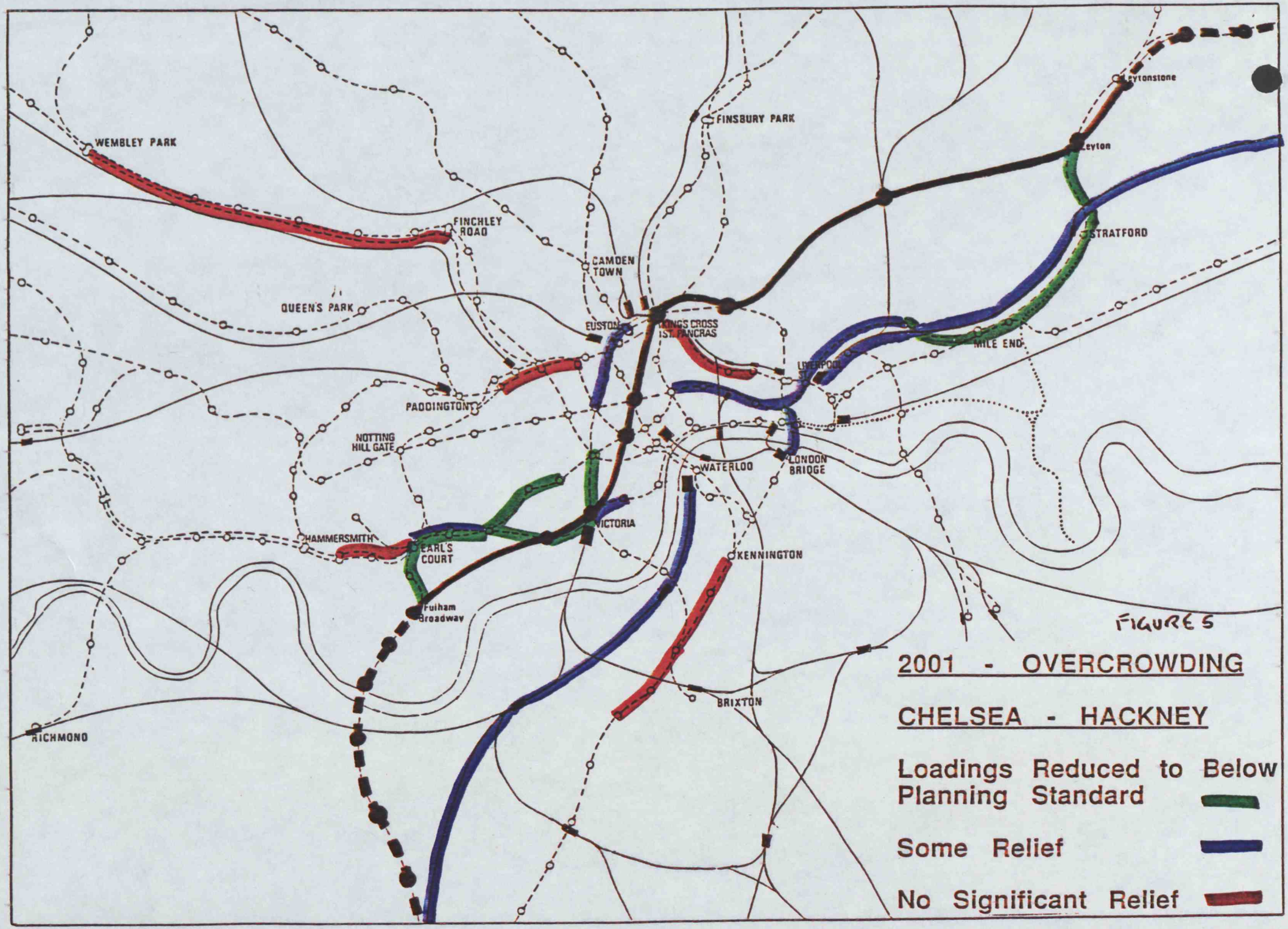
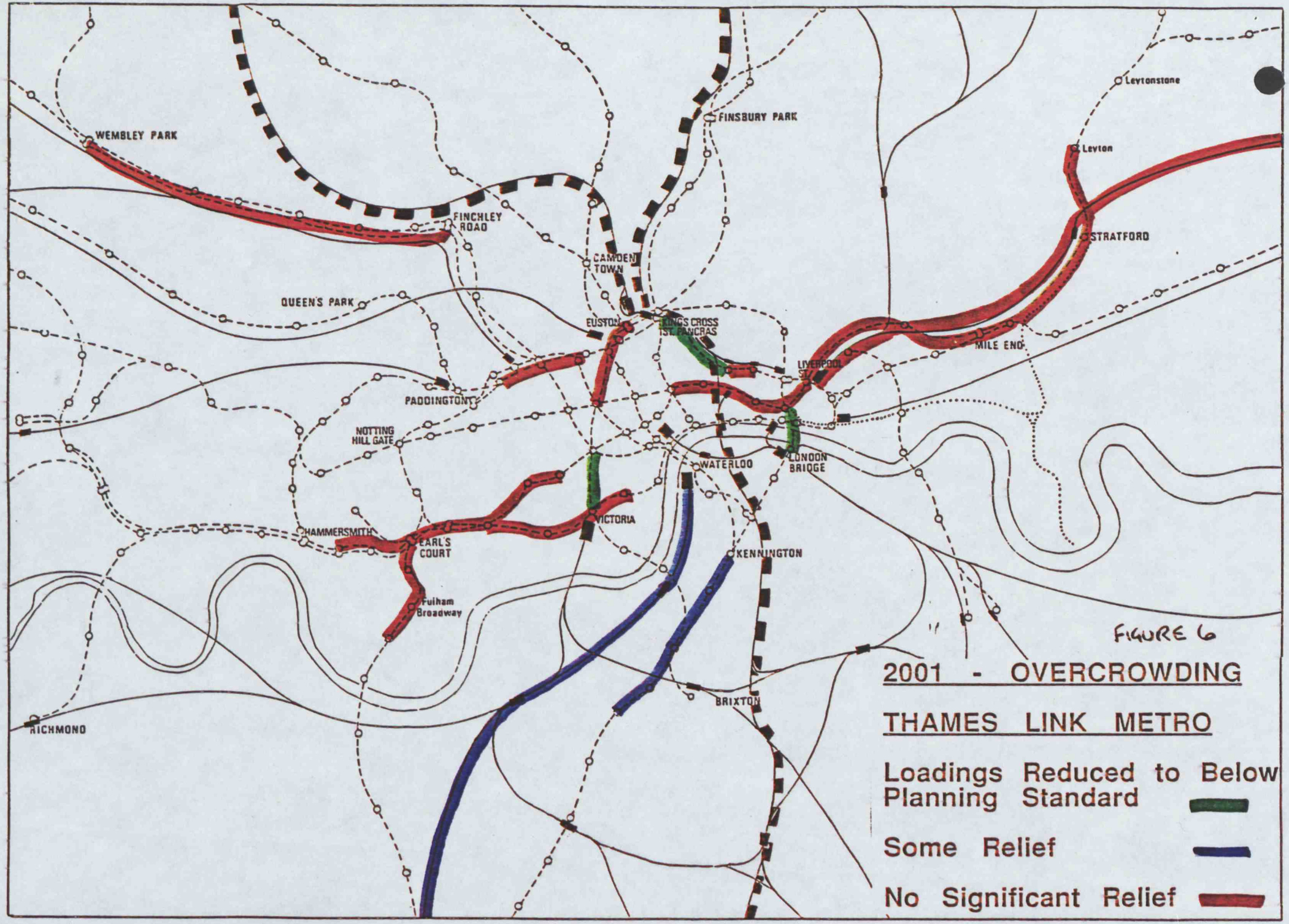
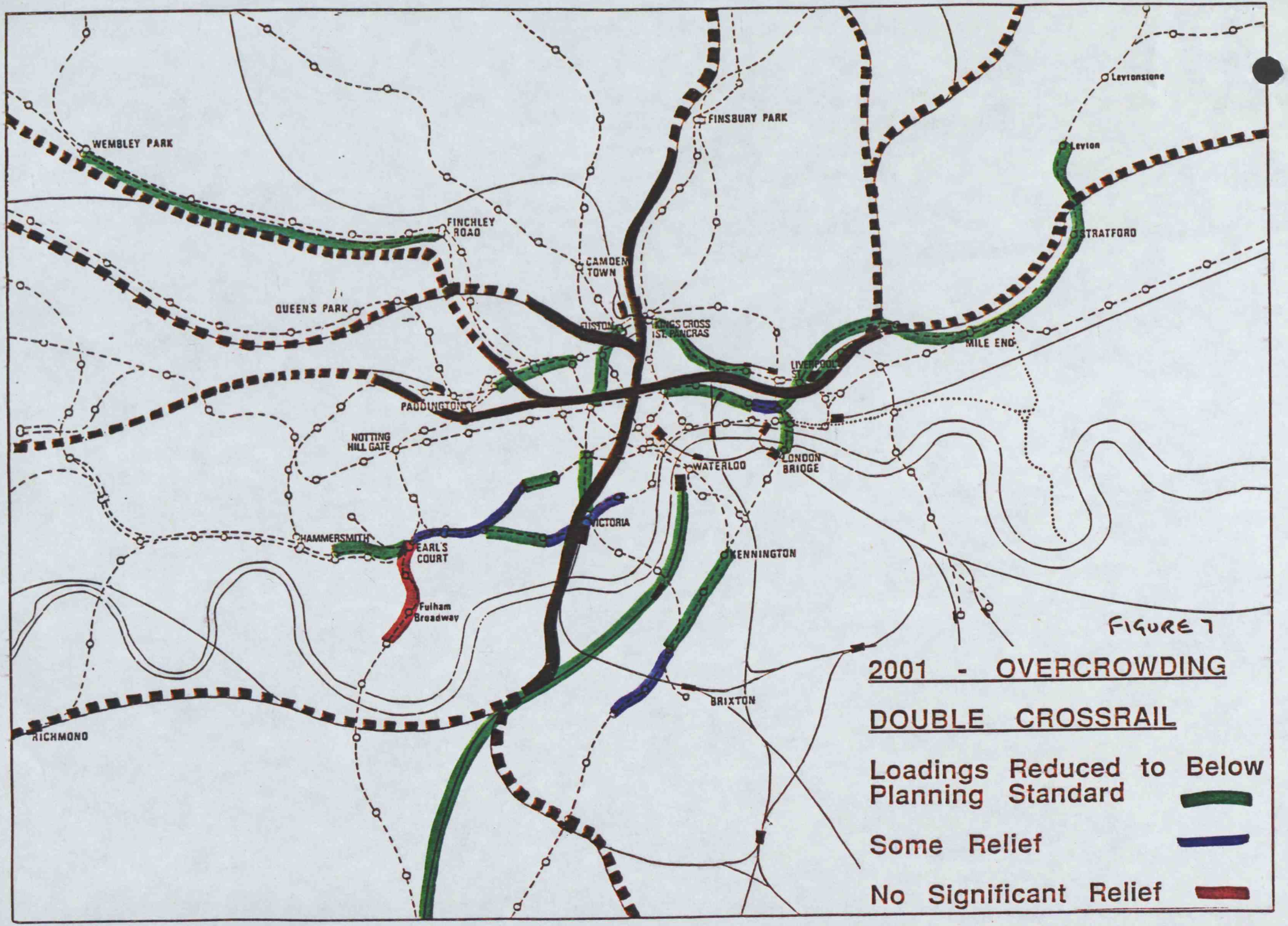
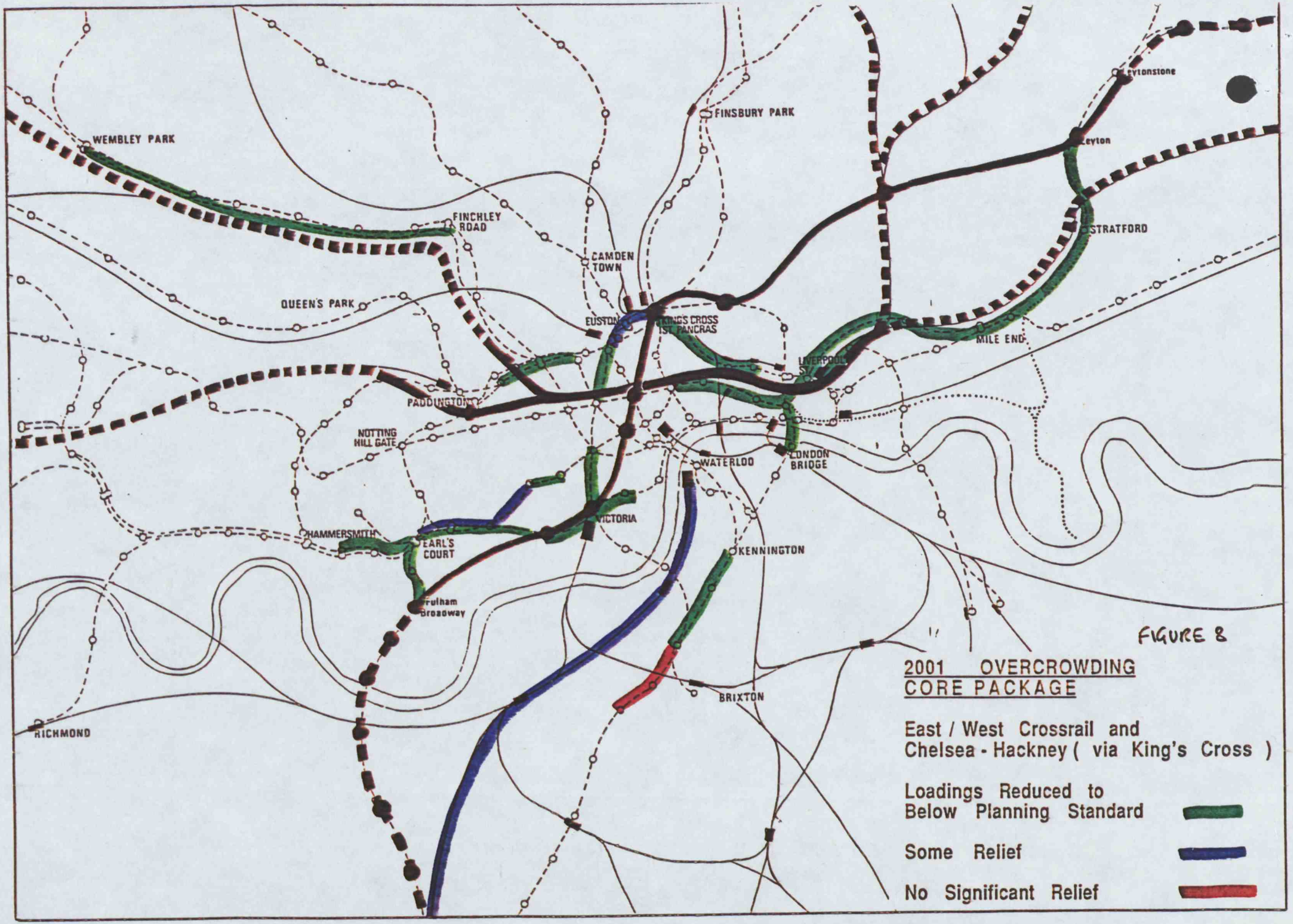
FINSBURY PARK
Leytonstone
Leyton
FINCHLEY ROAD
STRATFORD
CAMDEN TOWN
QUEEN'S PARK
EUSTON
KINGS CROSS ST. PANCRAS
MILE END
LIVERPOOL ST.
PADDINGTON
NOTTING HILL GATE
WATERLOO
LONDON BRIDGE
VICTORIA
HAMMERSMITH
EARL'S COURT
KENNINGTON
Fulham Broadway
BRIXTON
RICHMOND
FIGURE 3
YEAR 2001
EFFECT OF THE BASE CASE
Sections of Line Over Planning Standard in A.M. Peak Hour

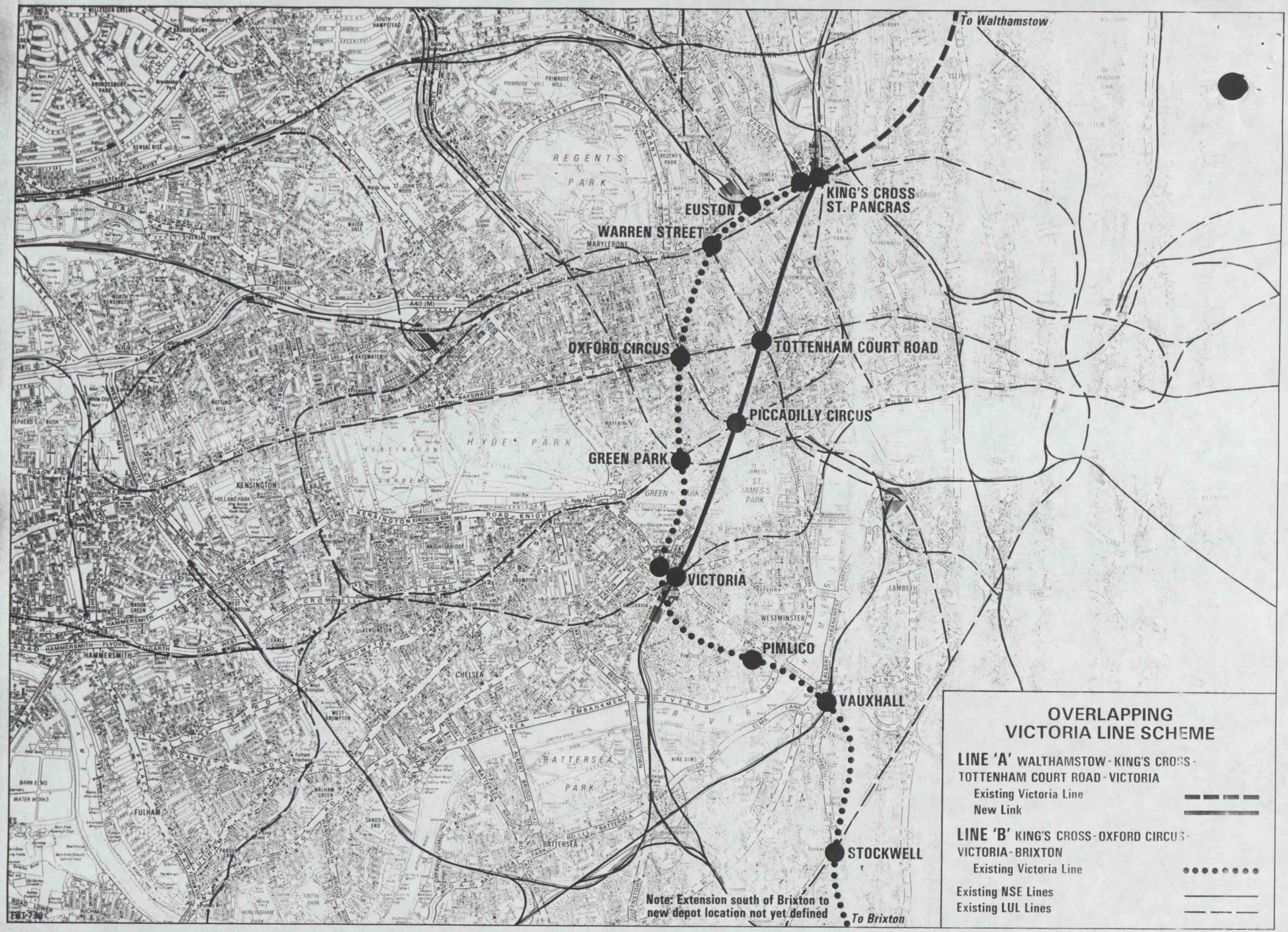

WEMBLEY PARK
FINCHLEY ROAD
QUEENS PARK
CAMDEN TOWN
FINSBURY PARK
EUSTON
KINGS CROSS ST. PANCRAS
PADDINGTON
NOTTING HILL GATE
HAMMERSMITH
EARL'S COURT
Fulham Broadway
VICTORIA
WATERLOO
LONDON BRIDGE
KENNINGTON
BRIXTON
RICHMOND
Leytonstone
Leyton
STRATFORD
MILE END
FIGURE 4
2001 - OVERCROWDING
JUBILEE LINE EXTENSION TO ILFORD
Loadings Reduced to Below Planning Standard
Some Relief
No Significant Relief


WEMBLEY PARK
FINSBURY PARK
Leytonstone
Leyton
FINCHLEY ROAD
STRATFORD
CAMDEN TOWN
QUEEN'S PARK
EUSTON
KING'S CROSS ST. PANCRAS
MILE END
LIVERPOOL ST.
PADDINGTON
NOTTING HILL GATE
WATERLOO
LONDON BRIDGE
VICTORIA
HAMMERSMITH
EARL'S COURT
KENNINGTON
Fulham Broadway
BRIXTON
RICHMOND
FIGURE 5
2001 - OVERCROWDING
CHELSEA - HACKNEY
Loadings Reduced to Below Planning Standard
Some Relief
No Significant Relief

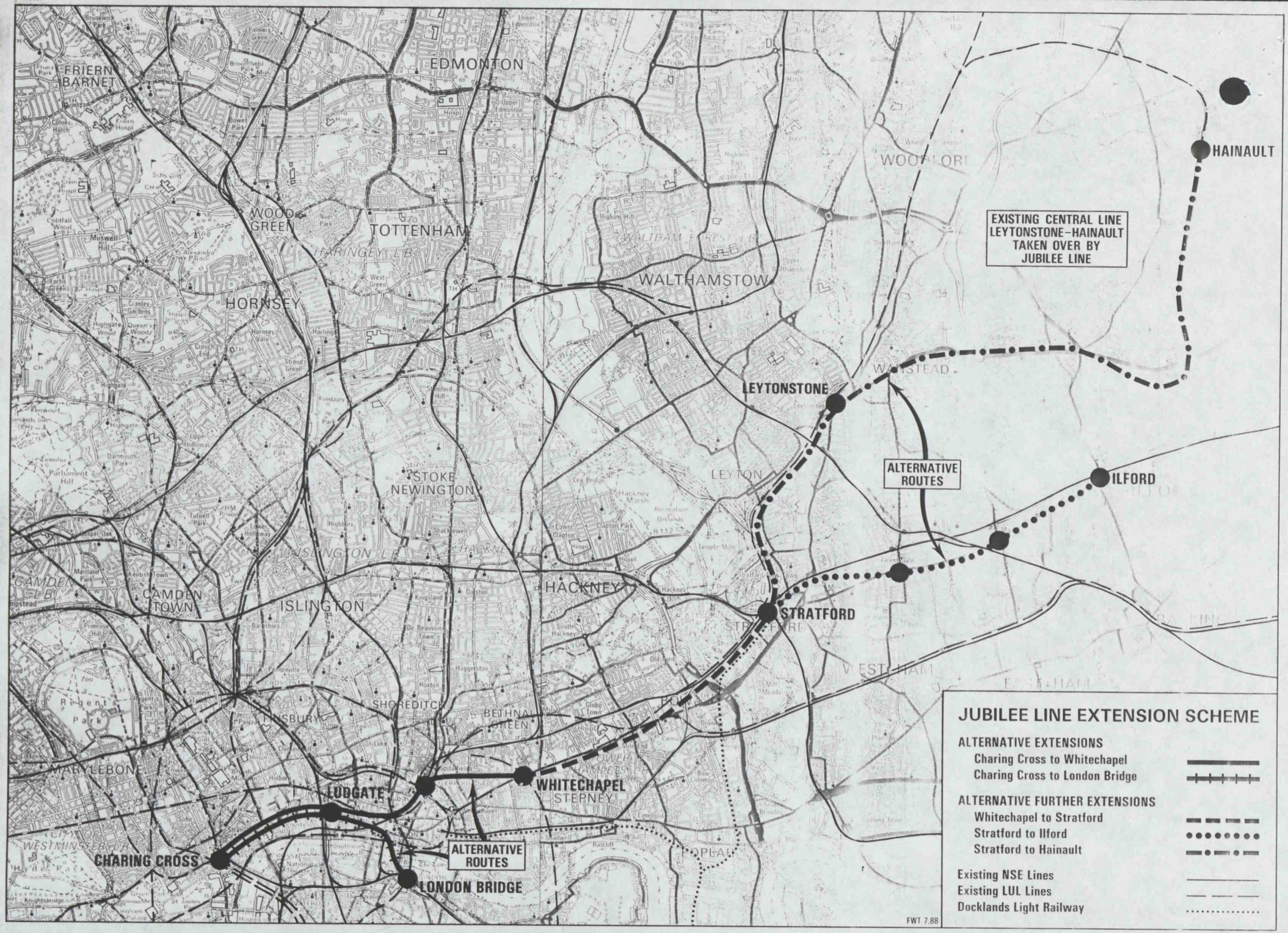

WEMBLEY PARK
FINSBURY PARK
Leytonstone
Leyton
FINCHLEY ROAD
STRATFORD
CAMDEN TOWN
QUEEN'S PARK
EUSTON
KINGS CROSS ST. PANCRAS
MILE END
LIVERPOOL ST.
PADDINGTON
NOTTING HILL GATE
WATERLOO
LONDON BRIDGE
VICTORIA
HAMMERSMITH
EARL'S COURT
KENNINGTON
Fulham Broadway
BRIXTON
RICHMOND
FIGURE 6
2001 - OVERCROWDING
THAMES LINK METRO
Loadings Reduced to Below Planning Standard
Some Relief
No Significant Relief


WEMBLEY PARK
FINSBURY PARK
Leytonstone
Leyton
FINCHLEY ROAD
STRATFORD
CAMDEN TOWN
QUEENS PARK
EUSTON
KINGS CROSS ST. PANCRAS
MILE END
LIVERPOOL ST.
PADDINGTON
NOTTING HILL GATE
WATERLOO
LONDON BRIDGE
VICTORIA
HAMMERSMITH
EARL'S COURT
KENNINGTON
Fulham Broadway
BRIXTON
RICHMOND
FIGURE 7
2001 - OVERCROWDING
DOUBLE CROSSRAIL
Loadings Reduced to Below Planning Standard
Some Relief
No Significant Relief

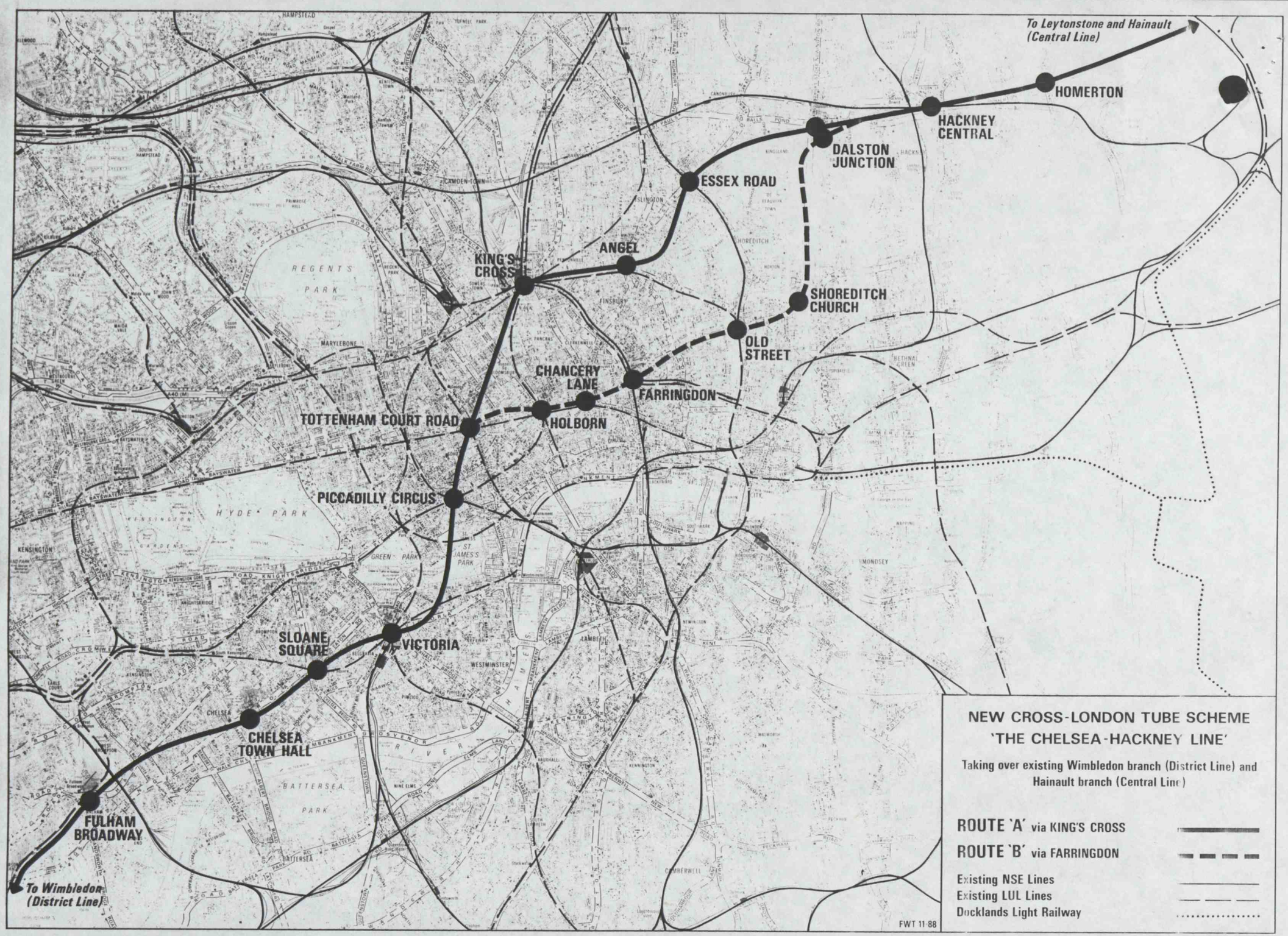

WEMBLEY PARK
FINSBURY PARK
Eyton
Eytonstone
FINCHLEY ROAD
CAMDEN TOWN
STRATFORD
QUEEN'S PARK
EUSTON
KINGS CROSS ST PANCRAS
MILE END
LIVERPOOL ST
PADDINGTON
NOTTING HILL GATE
WATERLOO
LONDON BRIDGE
VICTORIA
HAMMERSMITH
EARL'S COURT
KENNINGTON
Fulham Broadway
BRIXTON
RICHMOND
FIGURE 8
2001 OVERCROWDING
CORE PACKAGE
East / West Crossrail and
Chelsea - Hackney (via King's Cross)
Loadings Reduced to
Below Planning Standard
Some Relief
No Significant Relief


To Walthamstow
KING'S CROSS ST. PANCRAS
EUSTON
WARREN STREET
OXFORD CIRCUS
TOTTENHAM COURT ROAD
PICCADILLY CIRCUS
GREEN PARK
VICTORIA
PIMLICO
VAUXHALL
STOCKWELL
To Brixton
Note: Extension south of Brixton to new depot location not yet defined
OVERLAPPING VICTORIA LINE SCHEME
LINE 'A' WALTHAMSTOW - KING'S CROSS - TOTTENHAM COURT ROAD - VICTORIA
Existing Victoria Line
New Link
LINE 'B' KING'S CROSS - OXFORD CIRCUS - VICTORIA - BRIXTON
Existing Victoria Line
Existing NSE Lines
Existing LUL Lines

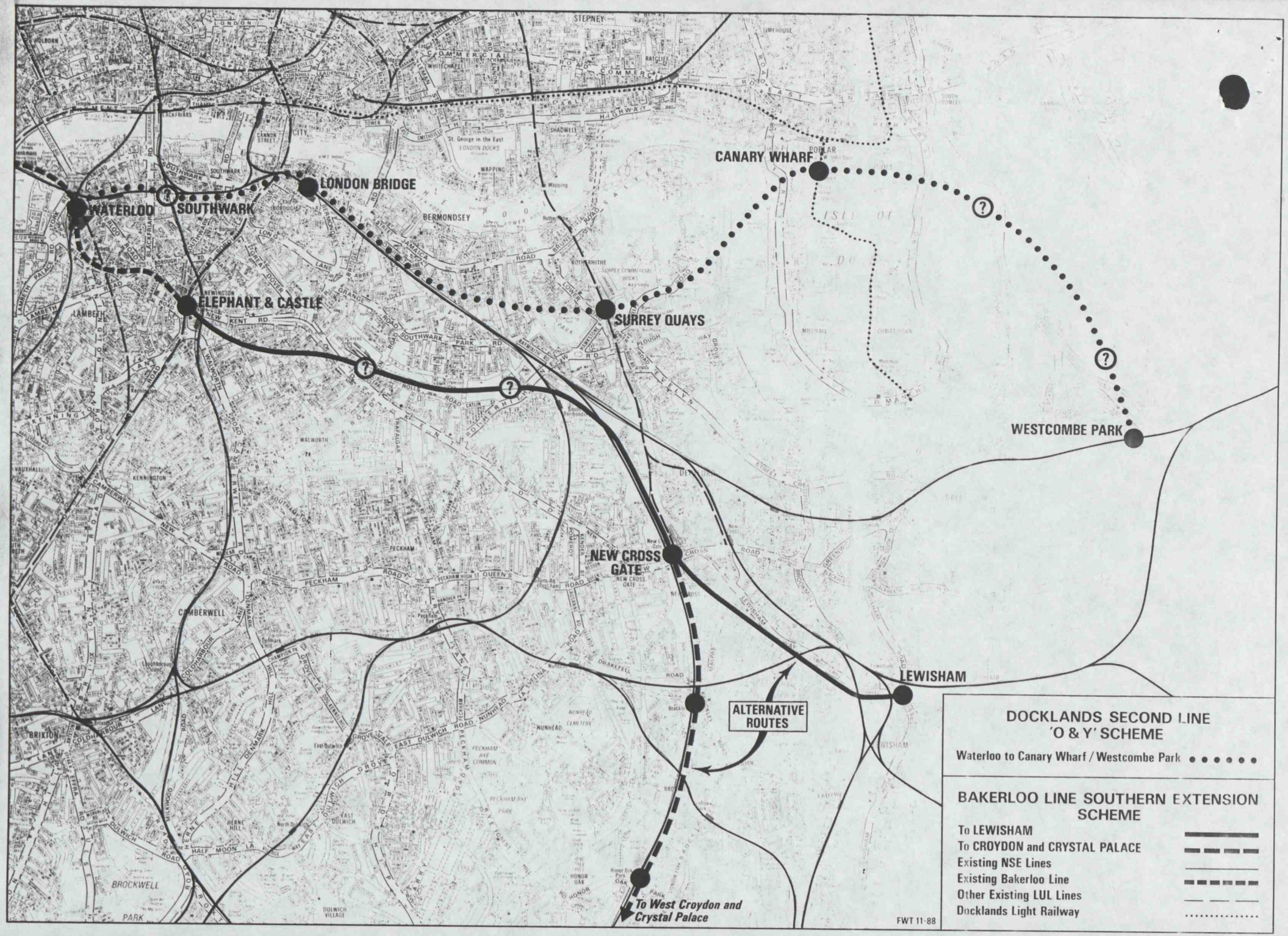
MAP 1


FRIERN BARNET
EDMONTON
HAINAULT
WOODFORD
WOOD GREEN
TOTTENHAM
HARINGEY L.B.
WALTHAMSTOW
HORNSEY
EXISTING CENTRAL LINE
LEYTONSTONE–HAINAULT
TAKEN OVER BY
JUBILEE LINE
LEYTONSTONE
WANSTEAD
ALTERNATIVE
ROUTES
ILFORD
LEYTON
STOKE
NEWINGTON
HACKNEY
CAMDEN
TOWN
ISLINGTON
STRATFORD
SHOREDITCH
BETHNAL
GREEN
FINSBURY
MARYLEBONE
WHITECHAPEL
STEPNEY
LUDGATE
CHARING CROSS
ALTERNATIVE
ROUTES
LONDON BRIDGE
POPLAR
FWT 7.88
JUBILEE LINE EXTENSION SCHEME
ALTERNATIVE EXTENSIONS
Charing Cross to Whitechapel
Charing Cross to London Bridge
ALTERNATIVE FURTHER EXTENSIONS
Whitechapel to Stratford
Stratford to Ilford
Stratford to Hainault
Existing NSE Lines
Existing LUL Lines
Docklands Light Railway

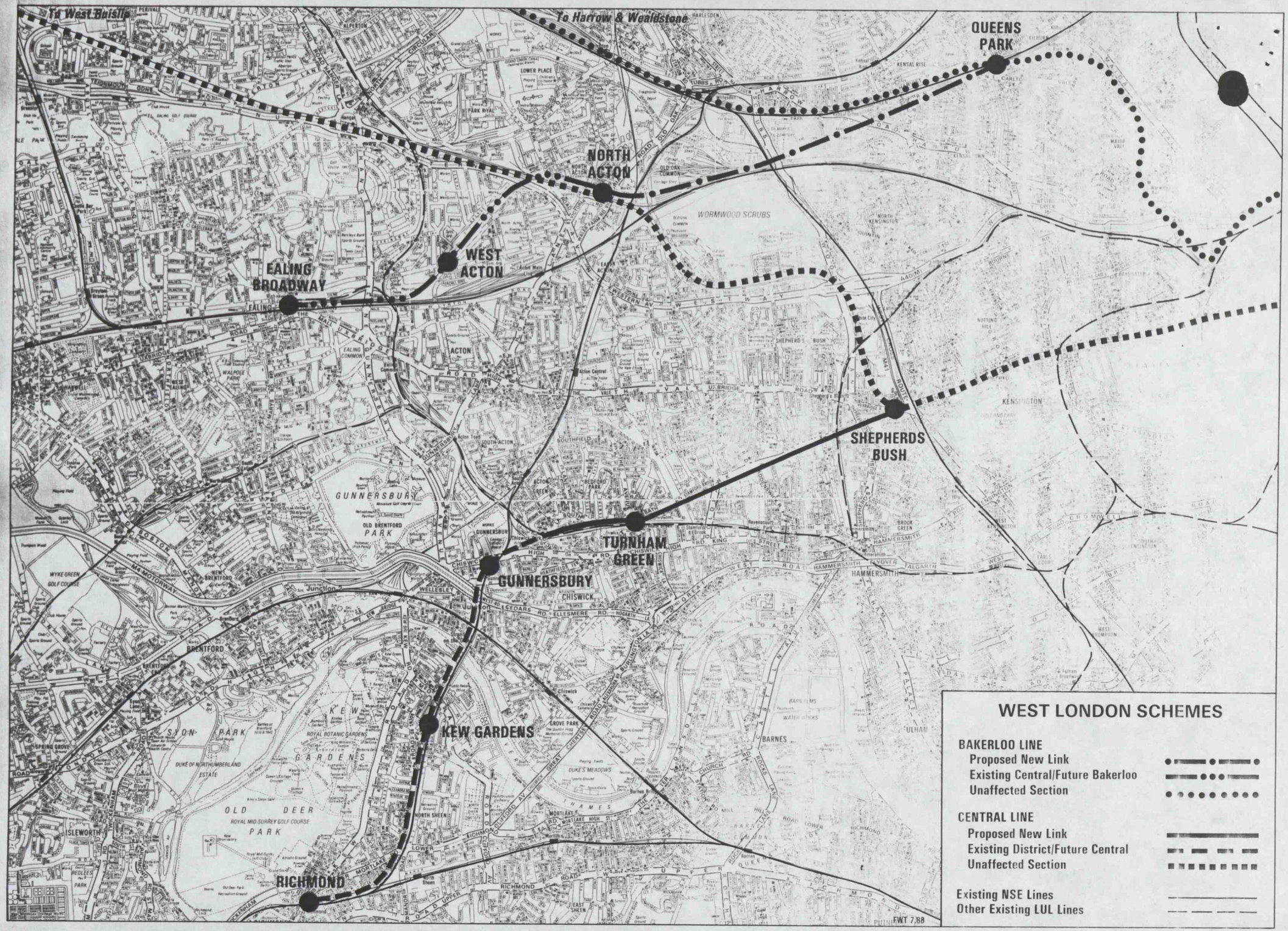
MAP 2


To Leytonstone and Hainault
(Central Line)
HOMERTON
HACKNEY
CENTRAL
DALSTON
JUNCTION
ESSEX ROAD
ANGEL
KING'S
CROSS
SHOREDITCH
CHURCH
OLD
STREET
CHANCERY
LANE
FARRINGDON
HOLBORN
TOTTENHAM COURT ROAD
PICCADILLY CIRCUS
SLOANE
SQUARE
VICTORIA
CHELSEA
TOWN HALL
FULHAM
BROADWAY
To Wimbledon
(District Line)
REGENTS
PARK
HYDE PARK
BATTERSEA
PARK
RIVER
THAMES
NEW CROSS-LONDON TUBE SCHEME
'THE CHELSEA-HACKNEY LINE'
Taking over existing Wimbledon branch (District Line) and
Hainault branch (Central Line)
ROUTE 'A' via KING'S CROSS
ROUTE 'B' via FARRINGDON
Existing NSE Lines
Existing LUL Lines
Docklands Light Railway
FWT 11-88

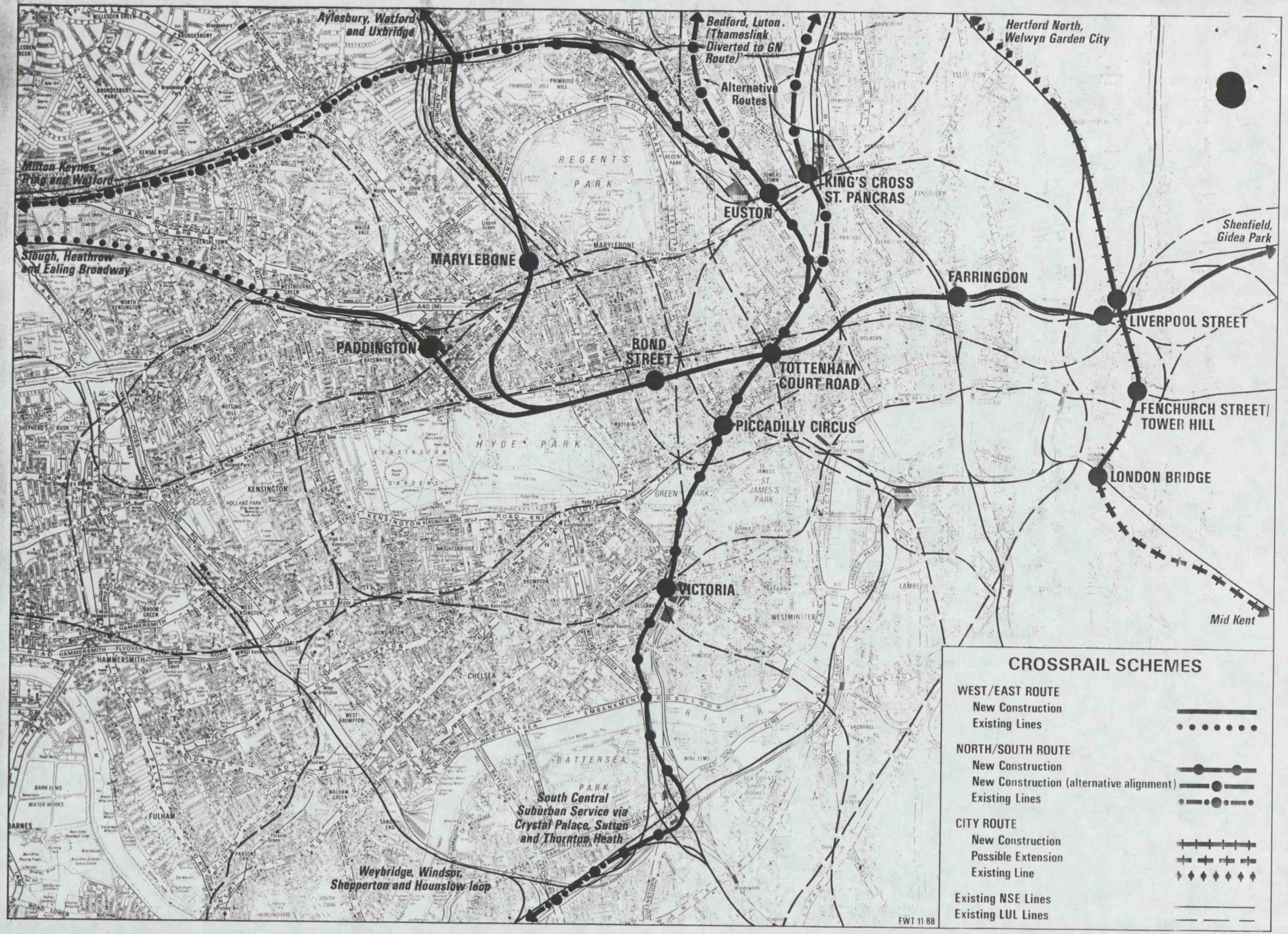
MAP 3


CANARY WHARF
LONDON BRIDGE
WATERLOO
SOUTHWARK
ELEPHANT & CASTLE
SURREY QUAYS
WESTCOMBE PARK
NEW CROSS GATE
LEWISHAM
ALTERNATIVE ROUTES
To West Croydon and Crystal Palace
DOCKLANDS SECOND LINE
'O & Y' SCHEME
Waterloo to Canary Wharf / Westcombe Park
BAKERLOO LINE SOUTHERN EXTENSION SCHEME
To LEWISHAM
To CROYDON and CRYSTAL PALACE
Existing NSE Lines
Existing Bakerloo Line
Other Existing LUL Lines
Docklands Light Railway
FWT 11-88

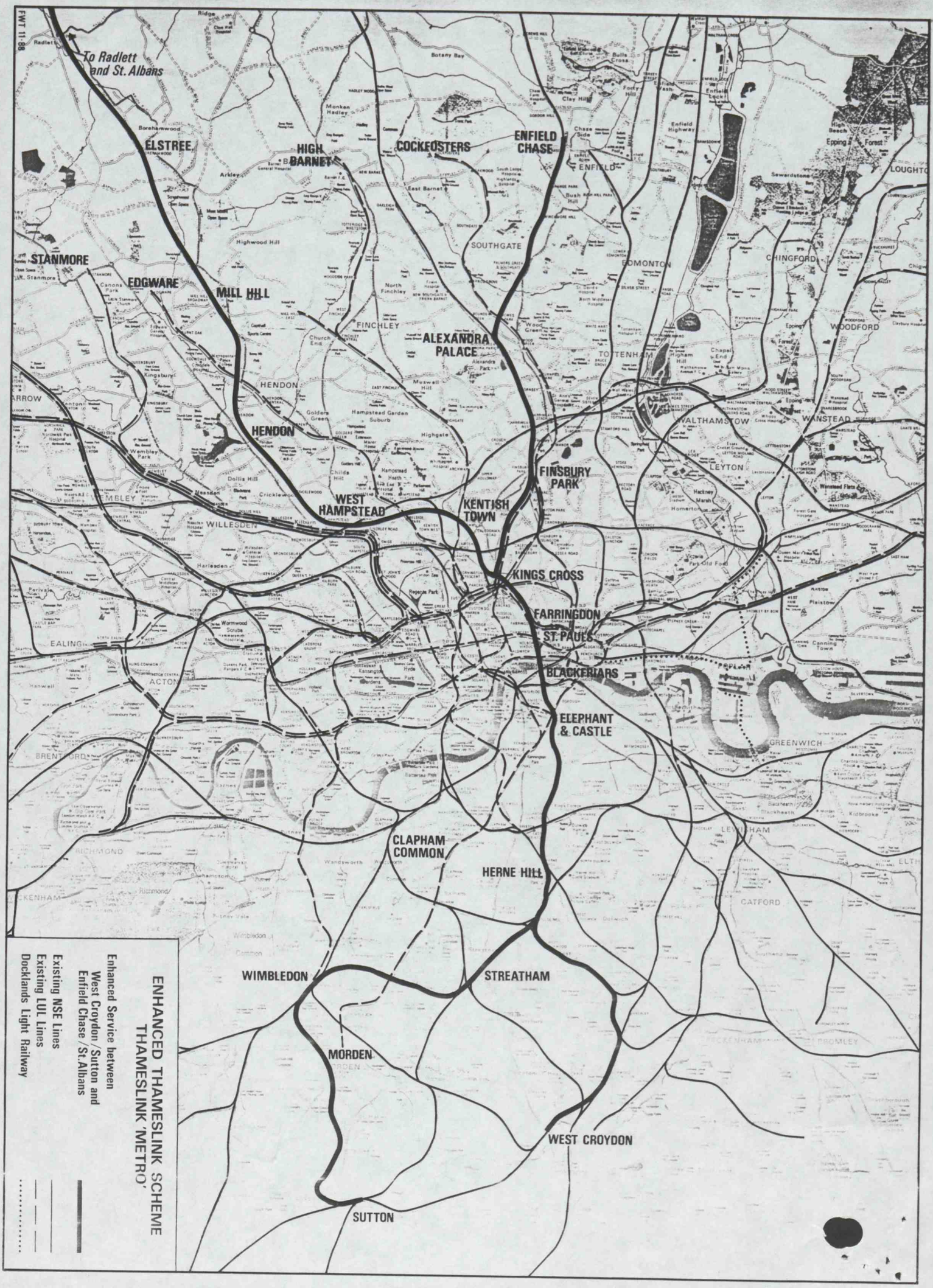
MAP 4


To West Ruislip
To Harrow & Wealdstone
QUEENS PARK
NORTH ACTON
WEST ACTON
EALING BROADWAY
SHEPHERDS BUSH
TURNHAM GREEN
GUNNERSBURY
KEW GARDENS
RICHMOND
WORMWOOD SCRUBS
ACTON
CHISWICK
BRENTFORD
KEW GARDENS
OLD DEER PARK
GUNNERSBURY PARK
KENSINGTON
HAMMERSMITH
BARNES
ISLEWORTH
WEST LONDON SCHEMES
BAKERLOO LINE
Proposed New Link
Existing Central/Future Bakerloo
Unaffected Section
CENTRAL LINE
Proposed New Link
Existing District/Future Central
Unaffected Section
Existing NSE Lines
Other Existing LUL Lines
FWT 7/88

MAP 5


Aylesbury, Watford and Uxbridge
Bedford, Luton. (Thameslink Diverted to GN Route)
Hertford North, Welwyn Garden City
Alternative Routes
Milton Keynes, Rugby and Watford
Slough, Heathrow and Ealing Broadway
KING'S CROSS ST. PANCRAS
EUSTON
MARYLEBONE
Shenfield, Gidea Park
FARRINGDON
LIVERPOOL STREET
PADDINGTON
BOND STREET
TOTTENHAM COURT ROAD
FENCHURCH STREET/ TOWER HILL
PICCADILLY CIRCUS
LONDON BRIDGE
VICTORIA
Mid Kent
South Central Suburban Service via Crystal Palace, Sutton and Thornton Heath
Weybridge, Windsor, Shepperton and Hounslow loop
REGENT'S PARK
HYDE PARK
KENSINGTON GARDENS
ST JAMES'S PARK
BATTERSEA PARK
CHELSEA
KENSINGTON
HAMMERSMITH
FULHAM
BARNES
WESTMINSTER
A40 (M)
CROSSRAIL SCHEMES
WEST/EAST ROUTE
New Construction
Existing Lines
NORTH/SOUTH ROUTE
New Construction
New Construction (alternative alignment)
Existing Lines
CITY ROUTE
New Construction
Possible Extension
Existing Line
Existing NSE Lines
Existing LUL Lines
FWT 11-88

MAP 6


FWT 11-88
To Radlett and St. Albans
ELSTREE
HIGH BARNET
COCKFOSTERS
ENFIELD CHASE
STANMORE
EDGWARE
MILL HILL
FINCHLEY
ALEXANDRA PALACE
HENDON
WEST HAMPSTEAD
KENTISH TOWN
FINSBURY PARK
KINGS CROSS
FARRINGDON
ST. PAULS
BLACKFRIARS
ELEPHANT & CASTLE
CLAPHAM COMMON
HERNE HILL
WIMBLEDON
STREATHAM
MORDEN
WEST CROYDON
SUTTON
ENHANCED THAMESLINK SCHEME
THAMESLINK 'METRO'
Enhanced Service between West Croydon/Sutton and Enfield Chase/St.Albans
Existing NSE Lines
Existing LUL Lines
Docklands Light Railway

MAP 7

TRANSPORT: LRT P2

DRAFT

CENTRAL LONDON RAIL STUDY

Secretary's of State's Preface

London's economy has been growing strongly in recent years. This growth is expected to continue. More and more people are seeking to come to work in the tightly packed central area. Parts of inner London, most notably Docklands, are being transformed. In outer London, the general revival in the national economy has contributed to sharp increases in traffic levels. All this is putting severe strains on London's transport system, which is suffering from heavy congestion at peak times, on both road and rail.

2. It was against this background that I set up the Central London Rail Study in March 1988. The Study has been conducted jointly between my Department, British Rail and London Regional Transport. A group under my Chairmanship, including the Chairmen of British Rail and London Regional Transport, has agreed that its findings should now be published.

3. The Report calls for a major upgrading programme of the existing rail networks. This will provide an early response to some of the most pressing problems. The Study also identifies two major options for substantial additions to London's rail infrastructure, as a full response to the continuing problems that are likely to be with us in the longer term.

4. Some of the assumptions and estimates which underlie this Report can only be tentative at this stage. Before decisions can be taken on the very large investments that are proposed, these estimates will have to be refined. Further work is also necessary into how such investment are to be financed. The Government believes that new investment should be that which users are prepared to pay for as beneficiaries through fares, supported where appropriate by property owners and developers who stand to gain from the improvements to transport. Where these sources are not enough to make commercially viable a project which appears justified on economic grounds, Government grant can

be available if justified by external benefits which cannot be recovered through revenues.

5. I believe this Report is a major step forward in meeting London's transport needs. Interested parties will be asked to give their views on their proposals in this document, and to state their preferences. In the light of these and the further detailed work that remains to be done, I hope to be in a position to take decisions on the way ahead towards the middle of 1989.

CENTRAL LONDON RAIL STUDY

1. TERMS OF REFERENCE

1. The terms of reference for the Study were as follows:

- To develop a strategy for improving services for passengers on the British Rail and Underground networks in London, and to provide for forecast demand on the two networks up to the end of the Century, with particular reference to passenger congestion in the area bounded by the major rail termini and their approaches.

- To have regard to the need to make the best use of existing assets.

- To put forward packages of measures, at different forecasts of demand, whose costs are justified in terms of revenues, demonstrating the extent to which proposed improvements could be financed from fares, and where necessary taking account of quantified external benefits.

- To present the strategic choices.

In this summary report, the study team outlines its analysis of these issues and identifies some promising schemes. The next phase of work, to be completed by July 1989, will bring the analysis of schemes to the point where the Government and the railway operators will be in a position to take the necessary decisions.

2. PAST TRENDS AND PRESENT PROBLEMS

Recent Trends

2.1 Since 1983, there has been a substantial increase in the number of morning peak period passengers entering Central London by rail as the following table and Diagram 1 show:

Thousands of Passengers	1980	1983	1987	1988 (provsional
Underground	305	323	403	415
British Rail	412	384	449	465
	717	707	852	880

Approximately half of the morning peak passengers arrive in London between 8 and 9 o'clock. Both London Underground and British Rail services are now carrying record numbers of passengers into Central London. In addition, the Underground today distributes some 200,000 British Rail passengers within Central London, some 50% more than in 1983.

Some of this growth has been at the expense of bus, coach, car and cycle traffic, which have all declined in the last few years, but there has also been a general increase in commuting to Central London of some 100,000 people per day.

The result has been to place the existing rail system, particularly the Underground, under increasing pressure. On Network South East, the tendency for growth to be focussed on longer distance commuting from beyond the Greater London boundary has also led to acute problems on certain services.

Overcrowding on the Underground.

2.2 Whilst off-peak demand has grown by [80%] or more since 1980, the major challenge facing the Underground is coping with the 36% growth in peak traffic over this period. Diagram 2 shows the sections of the network which are above the Underground's "planning standard". This is, broadly, that, on average over the busiest peak hour no more than one person should have to stand for each seated passenger.

Overcrowding on British Rail

2.3 Network South East's planning standards recognise that most British Rail journeys are longer than those on the Underground. The standards are that no passenger should have to stand for over 20 minutes and that no more than 35 passengers should have to stand for every 100 seated on sliding-door stock and no more than 10 should have to stand for every 100 seated on slam-door stock. Diagram 2 shows the sections of the network which currently exceed these standards.

Congestion at Stations and Interchanges

2.4 As well as overcrowding on trains, congestion at stations is now a major problem. At some **25** Underground stations, serious congestion is already occurring at peak periods, either in the ticket hall, on lifts or escalators, or at platform level. A further **10-15** stations will become seriously congested by the end of the century if demand continues to grow as forecast.

British Rail stations, being generally above ground and more spaciously designed, do not suffer from severe congestion to the same extent. However, a shortcoming of the London rail network is that nearly all Network South East services terminate at stations on the edge of the Central Area, where may passengers change onto the Underground or buses. These stations are amongst the most congested on the network and are also served by the most crowded Underground lines.

3 FUTURE PROSPECTS

Future trends: planning assumptions

3.1 In order to evaluate major schemes against a backcloth that reflects likely travel patterns in the future, the study

developed a view of how London's economy and employment patterns is likely to evolve up to the turn of the Century (2001).

The demographic forecasts have been taken from published projections developed by the London Research Centre. These imply, broadly, little change in London's population overall - though with significant growth in Docklands. The Study assumes a 2 per cent per annum growth in GDP per head and growth in car ownership of some 30% by the turn of the century. Real fare levels are assumed to move in line with GDP.

A crucial element of the planning assumptions is the view taken of the scale of employment growth in Central London and Docklands, and of where new employees will live. Two employment growth projections have been adopted:

Employment Growth 1987 to 2001	Lower projection	Higher projection
Central London	+ 100,000	+ 150,000
Docklands (Newham) and Tower Hamlets only)	+ 120,000	+ 150,000
	+ 220,000	+ 300,000
Rest of London	+ 60,000	+ 120,000

For the present study, the critical element is the substantial expected growth in Central London employment. Whilst more jobs are expected to be created in Docklands the problems facing the rail network serving Central London are more acute as many of the corridors feeding into Central London are already severely congested and, unlike the Docklands Light Railway, cannot readily be upgraded to take substantially higher traffic volumes. The detailed implications of the growth in Docklands are being assessed separately. A discussion document on Docklands public transport strategy has been prepared by London Regional Transport and the London Docklands Development Corporation and is currently the subject of a public consultation. A proposal put forward by Olympia & York for a new Underground line from Waterloo to Greenwich is also under consideration.

The place of residence of workers has also been reviewed. In line with past and current trends, further substantial growth in commuting from outside London was assumed with long-distance commuting projected to grow by some 30-40%, whereas the number of workers living inside London is only expected to grow by some 7%.

Traffic Growth Forecasts

3.2 The implications of the planning assumptions (and of the major schemes described later in the report) have been explored using the strategic model developed following the 1981 Greater London Transportation Survey. This "LTS model" is currently maintained for the Department of

Transport by MVA Consultants. Where necessary in assessing schemes, use has also been made of data derived from the operators passenger origin and destination surveys.

Tests using the LTS model indicate that with only the lower employment projection plus the other assumptions outlined above, travel by both road and rail is likely to increase substantially by 2001.

London-wide car traffic is forecast to increase by some 10% in the morning peak. Car trips to and through Central London could also rise by a similar amount.

Morning peak rail traffic entering Central London is forecast to increase by some 15%. BR trips grow by nearly 20% and Underground trips by about 13% overall. The attraction of Docklands as an employment centre is expected to dampen commuting by Underground from the east to Central London. At the same time, the number of passengers crossing Central London to reach Docklands is forecast to increase.

Highway Network and Docklands infrastructure assumptions

3.3 A substantial programme of investment in roads has been assumed. This includes the proposed upgrading of the North Circular Road, the construction of East London River Crossing and a new road network in Docklands. Extensions of the Docklands Light Railway to Bank, Beckton and Lewisham are assumed with increased frequencies and capacities.

4. MAKING THE MOST OF THE CURRENT NETWORK

4.1 The Study has considered the extent to which present and forecast demand can be catered for by increasing the effectiveness and capacity of the existing network without building new lines or extensions. It is clear that a "Major Upgrading Programme" consisting of the following items could make a substantial contribution to relieving congestion.

- improvements to increase Underground station capacity
- better operating performance
- more trains
- higher capacity trains
- restructuring of services.

1. Improvements to increase Underground station capacity

An estimate of some £400m has been made of the cost of works needed at the seriously congested Underground stations (See Section 2.4). This figure assumes that some new sections of line will be constructed relieving certain stations as a result.

2. Better Operating Performance

On both LUL and NSE, the number of trains actually operated during peak periods is less than the schedule. Congestion itself is an important cause of LUL's shortfall - extended stations stops mean that it is not possible to operate in full the scheduled number of trains. This problem will get worse as congestion grows.

The Major Upgrading Programme might include expenditure of some £50m on a range of measures to improve operational performance: for example, measures to improve the operation of critical junctions and more rigid enforcement of station stop times.

3. More Trains

Where the number of trains operated is below the maximum that a line can cater for, more passengers can be carried by investing in more trains and drivers. This is being programmed already on certain British Railways' lines, such as Moorgate -Bedford. On the Underground, 16 new trains are currently being delivered to increase services on several lines. In general it has been assumed that a Major Upgrading Programme would increase service frequencies wherever this seems likely to be cost-effective.

A constraint on some lines is that the signalling system was not designed for maximum capacity because demand at the time did not justify it. Resignalling schemes are already programmed on sections of both Network South East (Marylebone: to Amersham and High Wycombe) and the Underground (Central Line), to increase capacity. It has been assumed that the Bakerloo and Jubilee lines would also be resignalled and peak services increased.

4. Higher capacity trains

Where there is no room for more trains to run, it is sometimes possible to run longer trains. Platforms at all stations involved must then be lengthened. On a surface railway such as Network South East this could be cost-effective. On the South-Eastern suburban lines from Charing Cross/Cannon Street to Dartford, Orpington and Hayes, longer platforms are already planned to serve 12 car trains. The case for similar extensions will be assessed on the routes to Cambridge once 12 car platforms can be provided at the London termini following the Kings Cross and Liverpool Street development

There is, however, little scope for running longer trains on the Underground as the cost of lengthening Underground platforms and the disruption this would cause would be generally prohibitive.

If new carriages can be designed to carry more

passengers, for example by installing higher density seating, this would also increase line capacity. This solution is proposed for some lines to Kent and Essex.

5. Service Restructuring

In some locations, the structure of services restricts the capacity that can be provided. A notable example is the Underground's Northern Line, where the layout of the junction at Kennington effectively imposes a limit of 24 trains per hour on the West End and City branches. If the Northern Line were operated as two separate lines the frequency and reliability of the service on each could be enhanced. The Major Upgrading Programme contains a provision of some £60m for a package of improvements of this kind.

4.2 Such a Major Upgrading Programme would involve substantial expenditure. Preliminary estimates are as follows:

	£ million
Relief of Underground station congestion	400
Improved Underground operating performance	50
Additional NSE rolling stock and platform extensions	550
Enhanced Underground services	500
Total	1500

4.3 The components of such a programme will be refined over the coming months with a view to ensuring that when projects come forward for full investment appraisal in due course they are likely to satisfy the criteria normally applied to such schemes by the railway operators and the Government. There may well be changes as a result, but the preliminary assessment which has been carried out is sufficiently encouraging to suggest that a programme of these lines is a reasonable starting point for the assessment of more radical proposals. Such a programme would represent the maximum which could be done without new infrastructure. It would make the best use of existing assets in accordance with the Study's terms of reference.

Effects of a Major Upgrading Programme

4.4 A £1.5 billion Major Upgrading Programme produce a significant improvement compared with the very high levels of congestion which would otherwise be reached. But it would not eliminate overcrowding on London's railways - though it should mean that conditions should not deteriorate too much over the coming years if growth does not exceed the Study's lower projections. The predicted areas of congestion are illustrated in Diagram 3.

NSE

4.5 On most of Network South East, the predicted traffic levels in 2001 could be accommodated by the provision of the additional coaches or complete trains envisaged in the Major

Upgrading Programme. However, the critical sections from Liverpool Street to Shenfield and from Waterloo to Surbition will continue to be overloaded even at the lower employment projection.

The Underground

4.6 On the Underground, Diagram 3 demonstrates that peak congestion is likely to remain widespread. Indeed, even at the lower growth projection traffic is expected to rise above the planning standard on a number of sections by 2001.

Summarising by line, the forecast position in 2001 after a Major Upgrading Programme would be as follows:

1. Bakerloo and Jubilee Lines

   No overloading (peak train frequencies increased substantially by Major Upgrading Programme)

2. Central Line (after modernisation has increased peak capacity by 16 per cent)

   Overcrowding reduced between Stratford and Liverpool Street as a result of competition from Docklands for office workers, but overloading still 25% despite increased peak frequencies.

   Overcrowding increased compared with the present day between Liverpool Street and Chancery Lane, to 45% above planning standard. As to-day, this would remain the most heavily used section of the Underground.

3. District Line

   Overcrowding increased between Parsons Green (Wimbledon Branch) and St James's Park: maximum overload 17% approaching Earls Court from the South.

4. Metropolitan & Circle Lines

   Slightly overloaded between Baker Street and Great Portland Street and between Kings Cross and Farringdon.

5. Northern Line

   Overcrowding in the Central Area eliminated by the restructuring envisaged in the Major Upgrading Programme.

   Clapham Common to Stockwell 25% overloaded. (The southern part of the Northern Line cannot be increased in frequency).

6. Piccadilly Line

   Overloading expected to increase to 20% between Earls Court and Knightsbridge.

7. Victoria Line

Increased crowding southbound between Euston and Oxford Circus, to a level of [25%] above the planning standard. Northbound, overloading confined to the stretch between Victoria and Green Park.

5. NEW LINES AND EXTENSIONS

Introduction

5.1 Very many proposals have been put forward to improve London's rail system. These provide a wealth of ideas for tackling the congestion problems which are forecast to remain after a Major Upgrading Programme.

The proposals examined by the study team can be broken down as follows:

1. Construction of new, Central Area only,Underground services

2. Construction of additional Underground lines (either complete new lines or extensions to existing lines)

3. Extension of surface line services to run under the Central Area (the Crossrail concept).

New, Central Area only, Underground services

5.2 Several options were examined by the study team, the two most promising being:

1. The overlapping Victoria Line Scheme

This scheme envisages a new tube line between Kings Cross and Victoria creating two separate lines from the existing Victoria Line:

A. Brixton to Kings Cross : via existing route

B. Victoria to Walthamstow : via new route to Kings Cross, then by existing Victoria Line to Walthamstow.

This is illustrated in Diagram 4.

Preliminary work indicates that such a scheme is feasible, though there would be major difficulties at Kings Cross including diverting the existing Victoria Line whilst in full passenger use. A new depot site would also have to be found in the Brixton area or beyond.

Analysis of the traffic potential of the scheme indicates significant relief to the Victoria Line's central sections but little effect elsewhere. As a result of the additional interchanges required of many passengers at Kings Cross and Victoria, benefits of the scheme would be low relative to its cost (some £350m).

2. Jubilee Line Extension to Liverpool St and Whitechapel

Jubilee Line trains from the North currently terminate at Charing Cross. An Eastward extension to the City, relieving overcrowding on the Central Line, is an obvious possibility. From Charing Cross, the new line would run via Aldwych, Ludgate/Blackfriars to St Pauls, Liverpool St and Whitechapel (See Diagram 5).

Feasibility of the scheme has been broadly established though the pace of development of buildings with deep foundations in the City is such that unless a route beyond the existing protection to Ludgate Hill is safeguarded soon, it may not be possible to construct except at very deep level.

The traffic levels forecast for the scheme were relatively low, although significant relief of the Central Line was predicted (See Diagram 6). Again, the need to interchange appeared to be a major factor deterring use and holding benefits down well below the estimated cost.

New Underground Lines

5.3 Examination of the kinds of schemes just described pointed to the need to examine more far-reaching schemes that would not increase interchange on the edge of the Central Area and might indeed reduce it. Two schemes have been examined which are essentially developments of the Central Area only schemes just described. These involve:

1. a new Underground Line from Hackney to Chelsea

2. a more ambitious extension of the Jubilee Line via Liverpool St to Ilford in East London.

In addition, tests have been carried out on a number of suburban schemes where it appeared that cost-effective enhancement of the Underground might be possible. Results of this work are summarised below.

Chelsea - Hackney Line

5.4 A new tube line crossing London from South West to North East has been mooted for many years, and a number of different options are possible. A route via Victoria, Kings Cross and Angel was chosen by the study team for its main analysis. (See Diagram 7). In the Central Area, the line would perform a similar function to the overlapping Victoria Line, but in addition would relieve the Western part of the District Line, as well as giving a rail service for the first time to Chelsea and parts of Hackney. By linking into the Hainault branch of the Central Line, relief would also be given to the Central Line from Leytonstone to Holborn.

Feasibility of the scheme is not yet fully proven. Particular attention will need to be given to feasibility at

Victoria and Kings Cross and to the provision of a large surface site for a new depot. Outline capital cost is put at some £1300m.

Analysis of the scheme's traffic potential (See Diagram 7) indicates that the alignment via Kings Cross would carry substantial numbers of peak hour passengers from both East and West, up to 16,000 per hour (ie about 80% of the line's planning standard capacity) between Victoria and Piccadilly Circus. At the same time, substantial relief would be afforded on the District and Piccadilly Lines around Earls Court and to the Victoria Line.

In addition, the Central Line would be relieved between Leytonstone and the City as far as Chancery Lane, with loadings reduced by up to 5,000 passengers per hour. However this would still leave some overcrowding between Bethnal Green and the City.

The line would serve the Hackney, Dalston and Chelsea areas which are at present mainly dependent on buses for most journeys. Substantial numbers of passengers would have considerable time savings. Despite its high cost, the scale of benefits produced suggests that the line might be worthwhile. Further detailed analysis seems justified.

5.5 Jubilee Line Extension to Ilford

Since the Central Line is overloaded for much of its length in East London, a Jubilee Line extension to Stratford and Ilford was evaluated. This gives easy interchange with the District and East London Lines (See Diagram 6). Outline capital cost of the complete extension from Charing Cross is put at some £700m.

Analysis indicated that the most heavily loaded section of the new line would be between Whitechapel and Liverpool Street. However, the predicted peak hour load was only about half the capacity of the line. The only sections of the Underground where overcrowding would be relieved would be the Central Line and the Metropolitan/Circle Lines, and on the most critical sections, relief would only be partial (See diagram 6). This reflects the fact that even in this form access to the extended Jubilee Line would be limited and train speeds less than those of the BR network.

Extending the Jubilee Line to Ilford would however transfer a significant number of passengers from certain British Rail stations, allowing a reduction in the number of Inner Suburban trains. This, in turn, could allow some additional Outer Suburban trains to be operated, reducing overcrowding from towns such as Chelmsford. Overall, however, the case for this scheme seems much weaker than for other schemes to relieve the Central Line corridor.

Additional Underground Extensions

5.6 Three schemes were considered in South, West and East London:

1. Southerly Extension of the Bakerloo Line

The Bakerloo Line currently terminates at Elephant & Castle. It could be extended southwards for example through the Old Kent Road area to New Cross Gate and Lewisham. See Diagram 9. This would increase accessibility in Inner London, but not increase capacity in the Central Area. Feasibility is broadly established.

Traffic assessment indicates that the maximum load on the new section from Lewisham to Elephant & Castle would be 10,000 passengers per hour. There would be a transfer of about 4,000 passengers an hour from buses, and an equivalent number from Network South East services through London Bridge.

The benefits appears to be encouraging compared with the costs, but, as it would not help to relieve congestion in the central area, it is not pursued further in this report.

2. Extension of the Jubilee Line to Docklands

Instead of a routeing via Liverpool St, an extension of the Jubilee Line via London Bridge is a possibility (See diagram 5) . Preliminary work indicates that such a scheme on its own would have only a limited impact on central area congestion. However, from London Bridge it would be possible to extend the line further into Docklands, serving the Canary Wharf development on the Isle of Dogs. This would be an alternative to the stand-alone line being proposed by the Canary Wharf developers. Further evaluation of both these options is being carried out.

3. The Western Package

This scheme envisages that a new section of the Central Line would be constructed from Shepherds Bush to Turnham Green. Richmond would then be served by the Central Line instead of the District and the frequency of District Line services to other western destinations increased. To avoid the complication of three Central Line branches, a further part of the package could be a new link from the Bakerloo Line at Queens Park to the Central at North Acton, and thence to Ealing Broadway to replace the Central Line. See diagram 10.

Feasibility has been established and outline capital costs including the Bakerloo line branch would be some £150m.

The two new sections of the line proposed in the Western suburbs between North Acton and Queens Park (Bakerloo) and between Turnham Green and Shepherds Bush (Central) would carry relatively small numbers of passengers (3000-4000 in the peak hour). Nevertheless this package would relieve both District and

Piccadilly Lines in the Earls Court area; indeed this is the only scheme which would reduce passenger loads on the Piccadilly Line below planning standards.

The scheme has a number of promising aspects but further work is needed before a definite view of its potential can be reached.

Crossrail

5.7 The Crossrail concept is substantially different from all the previous schemes in proposing BR-gauge tunnels under Central London to link existing rail services on either side. This would allow many suburban areas to be linked direct to Central London destinations for the first time. Crossrail would relieve congestion at the main-line terminals and on some of the most crowded of sections of the Underground and enable better use to be made of certain suburban rail corridors. It would also release valuable capacity at BR terminals, which could be used for longer distance commuter trains.

Four major Crossrail routes were considered in the study.

1. North-South

   From Euston/Kings Cross to Victoria, with intermediate stations at Tottenham Court Road and Piccadilly Circus (Diagram 11)

2. East-West

   From Liverpool St to Paddington/Marylebone with intermediate stations at Farringdon, Tottenham Court Road and Bond Street (Diagram 11)

3. City

   From London Bridge to Essex Road with intermediate stations at Fenchurch Street and Liverpool Street (Diagram 11)

4. Thameslink Metro

   Unlike the above schemes this is not a new line but an enhancement of an existing one. The Major Upgrading Programme allows for 8 trains in the peak hour in each direction through Thameslink between Kings Cross and Blackfriars: a considerable increase on the current service. The Thameslink Metro scheme would develop Thameslink services still further to provide a concentrated, high frequency service similar to that provided by for example, the District Line (Diagram 12).

Feasibility of the Crossrail schemes has been broadly established, although finding suitable routes in the City area will become more difficult at time goes by. Outline capital costs are as follows:

- Route 1 £800m
- Route 2 £900m
- Route 3 £500m
- Thameslink Metro £200m (including rolling stock)

Routes 1 and 2 can be considered as a single package (the "Full Cross"). Alternatively, only some arms of the Full Cross could be constructed to give, for example, an East-South scheme from Victoria to Liverpool St via Tottenham Court Road and Farringdon.

5.8 Results of initial traffic analysis of the schemes is as follows:

1. North-South Crossrail

The Southern section, from Victoria to Piccadilly Circus, would carry over 20,000 passengers in the peak hour, the highest load on any of the new lines tested. The Northern section, from Kings Cross to Tottenham Court Road, would be much more lightly loaded, with 8000 passengers in the peak hour. The scheme would provide relief for the Northern and Victoria Lines.

2. East-West Crossrail

Of all the schemes tested, this is the one which comes closest to eliminating overcrowding on the most heavily loaded section of the Underground between Liverpool Street and Chancery Lane. It is also the only one to reduce loads to below planning standard on the Metropolitan/Circle line East of Baker Street. It has some effect on the District and Piccadilly Lines around Earls Court; this is because many passengers from the Ealing area would use Crossrail in preference to the Underground.

3. City Crossrail

The scheme would dolittle to relieve overcrowding but direct passenger benefits and loadings (10,000 from the North and 16,000 from the South in the peak hour) were quite high. As a stand-alone scheme, therefore, it has attractions.

4. Thameslink Metro

To assess the potential value of an intensive Thameslink service a scheme with 10 trains per hour from St Albans to Wimbledon and Sutton, and 10 trains per hour from Enfield Chase to Croydon was tested, with new stations at Camberwell, Walworth and Southwark.

Results showed a high level of use with 18,000 passengers in the peak hour on the cross Central London link. Some relief was provided to the Underground (See diagram 13) notably to the overcrowded section of the Northern Line through Clapham.

The capacity of Thameslink is at present limited by its signalling system on some sections, and most of the suburban lines have capacity constraints at junctions. To run a more

intensive service would require significant expenditure on flyovers, trackwork and signalling, as well as new trains, but still far less than on a brand-new line.

Conclusions

5.9 Of the schemes tested, the least cost-effective appeared to be those which provided new Underground capacity only within the central area. It is proposed to discard these proposals at this stage.

Extending suburban services into Central London is attractive where it can be done relatively cheaply as in the case of Thameslink. However, even where new tunnels are required (as in the Crossrail proposal) such schemes have potential and should be developed further.

Results for the new Underground lines tested have been mixed. Three schemes appear worth pursuing in their own right as free-standing proposals. These are:

- The Bakerloo extension to South London
- the Jubilee extension to London Bridge and Docklands
- the "Western Package"

These schemes do not appear to contribute significantly to solving the core congestion problem and for the remainder of this report, are set to one side. However, further work on these schemes is planned. A review of the Jubilee Line/Docklands options, in particular, will be given a high priority.

On the other hand, the Chelsea-Hackney Line and the Jubilee Line extension via Liverpool Street to Ilford could contribute to solving the core congestion problems. The sections of the report which follow look more closely at the case for these two schemes together with the more promising Crossrail options.

6. EVALUATION OF SCHEMES

Introduction

6.1 This section of the report presents preliminary estimates of the costs and benefits of schemes or combinations of schemes which seem promising in the light of the analysis in Section 5 and which would help to relieve the congestion which is forecast to remain after a Major Upgrading Programme. These are:

1. the Chelsea-Hackney Line
2. a Jubilee extension from Charing Cross to Ilford
3. Thameslink Metro
4. East-South Crossrail (linking Victoria and Liverpool Street).

5. East-West and North-South Crossrail (individually and in combination - the "Full Cross" scheme)

6. a package consisting of East-West Crossrail plus the Chelsea-Hackney line plus Thameslink Metro.

Capital and Annual Costs

6.2 Broad cost estimates are given in Table 1. The differences between the schemes are largely determined by the length and diameter of tunnels (3.75m for Underground trains or 5.9m for BR stock) the ground conditions likely to be encountered and the number and complexity of stations. Preliminary civil engineering feasibility studies have been carried out for the East/West and North/South Crossrail options and the Jubilee Line extension.

The rolling stock cost depends on the number of trains required for the peak service frequencies envisaged. In the case of Crossrail it is assumed that few additional trains would be needed because through running would allow better use to be made of the existing number of trains. In contrast the Chelsea-Hackney Line would require some 80 new trains, a fully equipped main depot and considerable stabling.

Benefits

6.3 Estimated passenger benefits of the scheme at lower demand growth assumption are set out in Table 2. The benefits assessed for each scheme include time saving to existing users, reduced congestion on trains and in stations, revenues from generated travel, relief of road congestion and reduction in road accidents.

Except for the Jubilee Line extension, a major source of benefit is time saved by public transport passengers. The Jubilee Line extension suffers in this respect because it offers few new or faster links.

By contrast, time savings provide the Chelsea-Hackney line's principal source of benefit. This reflects the new areas served and the additional, more direct, links provided by the line. Congestion relief benefits are, however, still significant. Thameslink Metro's benefit profile is similar.

The Crossrail schemes score very highly in reducing overcrowding and road traffic congestion. East-West and East-South Crossrail, in particular, both produce very substantial overcrowding relief while also producing net time savings. North-South Crossrail's benefits, on the other hand, have a profile more akin to that of the Chelsea-Hackney Line.

The ratio of benefit to cost

6.4 Table 3 shows how the estimated costs of the scheme compare with the benefits to:

- public transport users

- roads users

- the railway operators (additional revenue)

The benefits of the most worthwhile scheme, Thameslink Metro, are over twice the costs. This reflects the scheme's relatively low cost. Its impact on congestion is, however, limited.

At the other extreme, the least cost-effective scheme is the Jubilee Line extension to Ilford - its poor showing reflecting its lack of basic time saving benefits (as mentioned in Section 6.3).

The remaining schemes shown on Table 3 all have benefits which are estimated either to be approximately equal to costs or to exceed costs. All make significant inroads into the congestion problems. The highest benefit to cost ratio is achieved by the East-South Crossrail scheme from Liverpool Street to Victoria which combines a relatively short length of new tunnel with relief to two key overloaded sections of line (the Central Line, Eastbound from Stratford; and the Victoria Line, Northbound). However, the scheme gives no relief to other areas of congestion and complementary schemes are difficult to design.

By contrast, the Full Cross scheme, though twice as expensive appears to provide something nearer a complete solution. The estimated benefits of its East-West arm are attractive and it may be possible to enhance these by respecifying the scheme at its Western end. On the other hand, the North-South branch does not appear so attractive and would be difficult to combine with the Thameslink Metro scheme. The effects of the Full Cross are shown in Diagram 14.

The Chelsea-Hackney line is an alternative to North-South Crossrail which would combine well with Thameslink but its benefit to cost ratio is relatively low. As with East-West Crossrail, however, there is potential to respecify the line notably in East London. This could reduce costs substantially. A combination of East-West Crossrail plus the Chelsea-Hackney Line plus Thameslink Metro seems promising. The effects of the East-West Crossrail and the Chelsea-Hackney line are shown in Diagram 15.

6.5 On the basis of this cost/benefit analysis, the most promising <u>single line</u> options appear to be:

- East-South Crossrail or

- East-West Crossrail.

<u>Two line</u> options worth considering appear to be:

- the Full Cross scheme or

- East-West Crossrail plus the Chelsea-Hackney Line.

Further work, including a refinement of the physical specifications of the individual options, is needed to clarify the results of the cost/benefit analysis conducted so far.

Financial Appraisal

6.6 The Government's policy on the financing of rail services was set out in its observations on the House of Commons Transport Committee Third Report, Session 1986-87, and was published as Cm.420 on 30 March 1988. The Government expects to approve investment in railways, where the investment will earn a commercial return. Each scheme, or recommended package of schemes, has therefore to be tested against that standard and modifications made with a view to maximizing the revenues in relation to the costs. Account also needs to be taken of the effects of each scheme over the wider network. In principle the schemes able to earn the best returns on the capital invested should also be those which best meet the needs of passengers as measured by their willingness to pay for them.

Some of the schemes under consideration, or parts of them, would also enhance land values or otherwise generate significant benefits for particular businesses or landowners. Such beneficiaries may wish to enter into negotiation with the railway operators with a view to influencing the choice of routes, or their alignments, or the siting of stations in return for a significant financial contribution to reflect the benefits they would derive. These possibilities would have to be explored case by case. Experience of the Docklands Light Railway and the Paddington/Heathrow Link show that the private sector is prepared to make substantial contributions towards the cost of improved transport links where they will result in development gain or other commercial benefits.

If the revenues which can be expected from fares, together with financial contributions from developers, are not sufficient to pay for a scheme, the Government will consider the case for a grant, if there are sufficient non-user benefits (eg in the relief of road congestion) to justify the amount requested to make the investment financially viable in accordance with the usual test discount rate.

Sensitivity Analysis

6.7 The results depend critically on the planning assumptions. Lower employment levels would deflate benefits roughly proportionately. If costs exceed the estimates, the case for the schemes would be similarly weakened. On the other hand, further employment growth would inflate benefits rather more than in proportion as crowding levels would become severe. On the whole, given the current trends in commuting revealed by the latest Peak Count Surveys, estimates of benefits may be cautious rather than optimistic.

These uncertainties will have to be taken into account in devising a strategy in which there should be as much scope as possible for varying both the content and timing of future investments in response to important changes in the underlying forecasts and assumptions.

7. CONCLUSIONS

7.1 Today's record demand for passenger traffic on London's rail systems is likely to increase increase further to the end of the century, by some 20% on British Rail services and by some 10% on the Underground

7.2 To meet this demand a major Upgrading Programme, costing some £1.5bn., is identified to make best use of the existing infrastructure. This would help to deal with overcrowding, but would not by itself be enough to cater for the forecast increases in demand and provide acceptable standards of quality for London's rail passengers in the longer term.

7.3 To resolve this further problem, two alternative major packages of investment have been identified as sufficiently promising to merit further development, involving new railway lines across London. The capital cost of these options is of the order of £2bn. Further detailed work is needed on the refinement of the physical specification of these options before a clear choice can be made as a basis for decisions. This work will now be carried forward.

7.4 There is a need to demonstrate that the preferred schemes can be financially sound. This must be assessed in relation to the commercial objectives set for the two London rail operators, the implication for fares, and the case for any Government subsidy.

7.5 The Government's aim will be to settle an investment strategy by the middle of 1989. Meanwhile the Government and the London railway operators will consult interested parties on the findings of the Study.

CENTRAL LONDON RAIL STUDY

LIST OF DIAGRAMS AND TABLES

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1. Total Equivalent Annual Cost of New Rail Schemes
2. Indicative Estimates of Annualised benefits of New Central London Rail Schemes
3. Estimated Benefit-Cost Ratios for New Rail Schemes.

PLEASE NOTE THAT THE FOLLOWING TABLES STILL REQUIRE FURTHER AMENDMENTS.

Table 1

Total Equivalent Annual Cost of New Rail Schemes (£m)

	Capital Cost of Construction	Rolling Stock Costs	Equivalent Annual Capital Cost	Annual Operating Cost	Total Equivalent Annual Cost
helsea - Hackney	880	320	100	35	135
ubilee Line extension o Ilford	560	80	55	15	70
hameslink Metro	130	70	15	10	40
outh-East Crossrail	650	66	60	10	70
Major packages					
ull Cross	1710	70	145	20	165
ast-West Crossrail plus helsea-Hackney plus hameslink	1890	396	190	55	260

OTES

) Capital Cost discounted at 7% per annum over 60 years (35 years for trains)

) Construction cost spread over a five year period prior to line opening

) Tube train costed at £3m; BR train at £3.6m (8 coaches)

Table 2 Indicative estimates of

Annualised benefits of New Central London Rail Schemes (£m per annum)

Lower growth projection

	Time Savings	Crowding Relief	Total Public Transport Users' Benefit	Road Users' Benefit	Additional Rail Revenue	Total Benefit
ıelsea - Hackney	60	30	90	20	20	130
ıbilee Line Extension) Ilford	5	25	30	5	5	40
ıameslink Metro	55	20	75	15	15	105
ıst-South Crossrail	55	55	110	25	25	160
ıll Cross Scheme	70	85	155	30	30	215
ıst-West ·ossrail	30	70	100	20	20	140
ɔrth-South ·ossrail	40	15	55	10	10	75
ıelsea-Hackney plus ıst-West Crossrail lus Thameslink	145	120	265	55	55	375

Table 3

Estimated Benefit-Cost Ratios for New Rail Schemes
Based on Tables 1 and 2

	Table 3 benefits as a Proportion of Total Annual Cost (from Table 1)			
	To Public Transport Users	To Road Users	Revenue Gain	Total
elsea-Hackney	0.6 (0.7)	0.2	0.2	1.0 (1.1)
bilee Line Extension Ilford	0.4 (0.5)	0.1	0.1	0.6 (0.7)
ameslink Metro	1.8 (2.0)	0.4	0.4 (0.5)	2.6 (2.9)
st-South Crossrail	1.6 (1.8)	0.4	0.4	2.4 (2.6)
ll Cross	0.9 (1.0)	0.2	0.2	1.4 (1.5)
st-West Crossrail	1.2 (1.3)	0.3 (0.4)	0.3	1.8 (2.0)
rth-South Crossrail	0.6 (0.8)	0.1	0.1	0.8 (1.0)
for packages				
ll Cross	x.x (x.x)	x.x (x.x)	x.x	x.x (x.x)
elsea-Hackney plus st-West Crossrail us Thameslink	1.1 (1.2)	0.2	0.2	1.5 (1.6)

TE: The figures in brackets give broad estimates related to the higher growth projection.

MR BOURNE

In your absence this week the Policy Unit should have received a copy of Paul Channon's letter of 23 December to John Major which enclosed a copy of the draft Central London Rail Study. Given the topicality of rail travel, and the Prime Minister's position as a London MP, I think she would wish to be aware of this. But before I show her the papers I should be grateful for any thoughts you have.

P.A. Bearpark
29 December 1988

(A)

SECRETARY OF STATE FOR TRANSPORT

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

16pm yet. Policy Unit comment requested.

23 DEC 1988

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

Dear John,

CENTRAL LONDON RAIL STUDY

As you know, I agreed with the Chairman of BR and LRT to set up the Central London Rail Study in March this year, to work up proposals on how best to deal with the acute and growing problem of congestion on London's rail networks. The Report of the Study team, comprising officials from my Department, British Rail and London Regional Transport, is now ready. I have discussed it with the Chairmen of BR and LRT and we have agreed that it should be published early in the New Year. I attach a copy of the draft Report. Your officials, while not themselves members of the CLRS team, have been kept closely in touch with the progress of the work.

We have made no secret of the existence of this Study and it has generated a great deal of interest in the media and elsewhere. There is no alternative but to publish it quickly, and I intend to do so in about the last week of January.

In making the announcement on the CLRS, there are obvious pitfalls that we shall have to avoid. In the first place, while the work has pointed unequivocally to the need for a major upgrading programme - to make better use of the existing network and to solve some of the problems of congestion - the conclusions on new investment are less clear cut. In fact, I believe the Report demonstrates very convincingly that some major new infrastructure will be necessary if traffic continues to grow. But the work done so far has not revealed a clear winner among the two major groups of options that the Study has identified.

I believe that there are good prospects that we shall be able to decide on one or other of the two investment packages proposed. But further detailed work - on the physical nature of the proposed new lines and on assumptions about costs and revenues - is necessary before we can be absolutely

sure that we should make a decision to go ahead to the next stage of arranging for the operators to bring in the necessary Private Bills.

Equally important is the question of how these very expensive projects are to be financed. Apart from the major upgrading programme, costing some £1.5bn up to 2001, the cost of the new rail lines being proposed will be in excess of £2bn. My officials, with the help of BR and LRT, have done a good deal of work on the implications of seeking to finance such expenditure through fares. I am sure it is right to start from the assumption that passengers ought to pay for the benefits that they will enjoy if these projects were to go ahead. From the work done so far, it would appear that given real fares increases of between 2% and 3% per annum between now and the year 2001 (hardly more than the forecast increases in wages) the Underground and Network SouthEast will be able to generate enough revenue, not only to make the required return on their existing assets, but to finance the new investment being proposed.

It is not possible at this stage to work out, to the last detail, the implications of this in practice. Among the matters we shall have to study further are the scope for peak and off-peak pricing, how the cost should be divided between users of inner London services and longer distance commuters: and the whole question of revenue sharing between British Rail and LRT. We may find at the end of the day that we shall have to supplement finance for these projects - if we decide to go ahead with them - by any contributions we can secure from appropriate developers. and by some Government grant. provided it can be justified by external benefits which cannot be captured in revenues. At present I am sure it would be wrong to close our minds to any of these sources of finance, although I accept that, at this stage, we must press the fact that we propose to move with all reasonable speed to a position in which we can apply normal commercial considerations to the financing of these industries.

Both the Chairmen of BR and of LRT have told me that they will continue to have some concerns on this score until the details can be properly worked out. I think this is fair enough. Equally they have told me that they have no doubt that measures like those being proposed will be unavoidable and will be able to be justified by the economic benefits they bring. On that basis they have agreed that publication of the Report should go ahead, and they are prepared to endorse the findings of the Study to date and the need for the further work that I have described.

The way I propose to present this is summarised in the draft Preface to the Report. I shall of course be glad to have any observations that you or other colleagues may have.

I am sending copies of this letter to the Prime Minister, to Nicholas Ridley, David Young and Norman Fowler, and to Sir Robin Butler.

Yours,

Paul

PAUL CHANNON

PRIVATE SECRETARY TO THE
SECRETARY OF STATE FOR TRANSPORT

Paul,

As promised,
a personal,
blind copy for you.

Roy G.

23/11

cc PU

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

A Ring Esq
Private Secretary to the
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON
SW1P 3EB

CF-pc.

PRCG
24/11

Dear Alan

23 NOV 1988

OLYMPIA & YORK: WATERLOO-GREENWICH LINE

On 22 November, your Secretary of State and the Financial Secretary to the Treasury, accompanied by Mr Guy, came to see my Secretary of State, to discuss Olympia & York's Waterloo-Greenwich line. Messrs. Palmer, Gale and I were there from this Department.

My Secretary of State outlined his intention to put to Mr Reichmann a figure for the public sector contribution to the railway proposed by Olympia & York. He said that the transport benefits of the project amounted to about £50m; this was the maximum contribution justified on transport grounds. He asked whether your Secretary of State believed the proposed line was vital to the future of Docklands. Mr Ridley's view was that Olympia & York had committed themselves to colossal investment which required a colossal uptake and supporting transport systems. They had worsened their position by talking down the Docklands Light Railway. Mr Ridley was keen to see higher density housing established in the Greenwich peninsula. He did not think it sensible to go ahead with the Olympia & York scheme until the Government knew whether this was the best solution to Docklands' transport problems but he also saw some value in retaining a substantial proportion of financing from the private sector.

Mr Ridley thought that the two Secretaries of State should meet Mr Reichmann and try to persuade him to look for a mutually beneficial scheme, perhaps over a longer term. Decisions should then be taken as to who paid for what. In Mr Ridley's view, the Government would not be able to get away with contributions of £20m or £50m. His view was that the Government contribution to whatever transport solution was selected would be more than £150m. My Secretary of State pointed out that the scheme achievable in the shortest possible time was Olympia & York's and for this £225m of private sector money was available. He repeated that the transport advantages meant a contribution of no more than £52m. Government contributions beyond that might

be justified on other grounds and should come from sources associated with those grounds. Mr Ridley believed that calculations of a Government contribution should look more widely than the transport benefits. The Financial Secretary believed that the Government should offer a fixed contribution and that this should be no more than that justified by the transport benefits (£52m). He accepted that negotiations would be delicate.

Mr Ridley feared that Olympia & York had the option of reducing both the quality and the quantity of development at Canary Wharf, blaming the Government for this retrenchment because insufficient public transport had been provided; but he had no money in his budget to pay towards such public transport.

My Secretary of State pointed out that he did not have, as he had mentioned in the IFR negotiations, PES cover for such contribution as might be justified on transport grounds. Mr Lamont, quoting PS/Prime Minister's letter, mentioned that expenditure would spread over several years.

The Financial Secretary suggested that negotiations with Mr Reichmann should begin by suggesting that the private sector fund the line entirely. The consultants' study had indicated that Olympia & York would get £495m worth of benefit from the line. Mr Ridley thought that if the project were entirely private sector, Olympia & York would insist on the Government's funding any service to the Greenwich peninsula. He was anxious that the peninsula be served, with some 26,000 houses he wished to see built there. The two Secretaries of State agreed that opening the negotiations with no offer of Government contribution would almost certainly close discussions at once.

Mr Ridley was anxious to keep the project in play. He looked forward to seeing the results of the Central London Rail Study. He believed that the Government should get itself into a position to suggest a better alternative before going into serious negotiations with Mr Reichmann. My Secretary of State thought that the negotiations should in any event have available an agreed figure for the extent of Government contribution. Mr Ridley suggested that my Secretary of State and he, together, undertake the negotiations with Mr Reichmann. He was, however, worried whether the Olympia & York line was the right one. No-one could say authoritatively what was the right line because the studies had not been done. Only the scheme(s) put forward by Olympia & York had been evaluated. This Department's prime study over recent months had been about rail and Underground problems in Central London. There had been no major studies of alternative transport systems, additional to the DLR, to serve Canary Wharf and Docklands, or other East London developments. Alternative schemes promulgated by the Government might not attract a private sector contribution, eg the £225m Olympia & York were willing to put into their own proposal. Mr Ridley suggested that it would be better to look for the optimum solution for transport to east London, notwithstanding the £225m on offer from Olympia & York.

My Secretary of State said that the Olympia & York proposal, even if not the right scheme for transport generally to east London, was not prejudicial to other solutions and, on transport grounds, was worth around £50m to the Government, if Olympia & York insisted on continuing with it rather than a scheme which might have greater mutual benefit.

Mr Ridley thought that further transport had to be provided and that it would cost the Government more than £50m. To him, it meant 26,000 houses on the Greenwich peninsula. My Secretary of State suggested that this might merit a contribution from DOE additional to any contribution proportionate to the transport benefits. Mr Ridley believed that the source out of which the total Government contribution came, was not a material issue. The Government's contribution should be justified by some methodology demonstrating the transport benefits plus the value of the development benefit to DOE. This suggested an assessment of development values created by a new line, even if they could not be recovered.

My Secretary of State considered that for the present negotiations there might not be time to modify or enhance the methodology of calculating benefits. He was anxious not to be dishonest with Mr Reichmann. If Mr Reichmann would not accept a contribution of £52m, then negotiations would break down if no more Government money were forthcoming. If the Olympia & York proposal was worth more than the £52m worth of transport benefits to the Government, where was the money to come from?

It was agreed that the Secretaries of State for Transport and the Environment should meet Mr Reichmann soon. It would be counterproductive to open negotiations on the Olympia & York proposal with a Government bid of £20m. £50m should be offered at the meeting. However, the possibility of a better, mutually acceptable solution, should also be canvassed. Mr Reichmann should be asked to make a private sector contribution to this alternative solution. Mr Ridley believed that the Government should be willing to put up money beyond the benefits to transport, primarily for development values which could not necessarily be recouped directly.

My Secretary of State accepted that other possible solutions might be pursued but this would probably lose a further year, and for the Government to do new further studies before Olympia & York's contribution had been settled would weaken the negotiating position. It was agreed that studies of alternative solutions to the transport needs of Canary Wharf and Docklands more widely, should be pursued with some urgency but such studies could not be completed before the end of the year; six months was a more realistic estimate, and they would need to provide for the further major development sites envisaged in East London. Mr Ridley promised to make available to this Department his consultants' report on possible East London developments; he said that it was too early to say which would be preferred.

In Mr Ridley's view the Government should propose a preferred transport solution to Mr Reichmann and ask for a contribution from him. He believed that the Government would have to spend more than £150m on any public transport development. He and my Secretary of State agreed that the figure might even be higher. The Financial Secretary accepted the point but was concerned as to how it might be justified.

It was agreed that the two Secretaries of State should meet Mr Reichmann on the basis of two briefs: the first to offer up to £52m Government contribution to the Olympia & York proposal; the other to explain that urgent consideration of mutually better solutions to transport problems in Docklands and the major development sites in East London was underway; these would necessarily involve a private sector contribution. As soon as the preferred option had been selected, serious negotiations could begin. The intention would be still to aim for a Bill to be introduced in November 1989. Mr Reichmann should therefore be offered a second meeting at which negotiations would begin in earnest. The initial meeting with Mr Reichmann should take place while the studies were going on.

I am sending copies of this letter to Carys Evans and Robert Satchwell (HM Treasury), Peter Smith (DTI) and Trevor Woolley (Cabinet Office).

Yours Roy

R J GRIFFINS
Private Secretary

cc PS.

dti

the department for Enterprise

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

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

Department of Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

NBPM

RPC
18/11

Direct line 215 5147
Our ref
Your ref
Date 18 November 1988

Dear Paul, Rlap

You sent me a copy of your minute to the Prime Minister dated 27 October.

In considering the case for a new line and the scale of our investment in it we should not treat the line as simply serving the interests of Olympia and York. It is greatly in our own interest to see that the Isle of Dogs has the necessary transport infrastructure. We want to out-compete Paris and Frankfurt as an international finance centre; I believe this means seeing that Canary Wharf Phase II is undertaken and occupied and that the Isle of Dogs can cope with the second generation of development which its commercial success will engender. We want to draw in a balanced way on the labour market in the South East. This means that in addition to other routes we need to open up access from the South as the new line would do. Moreover, the people needed to fill the full range of jobs on the Isle of Dogs will want medium and low priced housing. Driving a new line south of the Thames would open up suitable sites for high density housing. It would also stimulate commercial development on the South Bank. Finally, London Docklands is the standard bearer for our UDCs; if we are not seen to support success - which is what the transport infrastructure underpinning the Isle of Dogs is about - we will raise doubts in the minds of people who are considering investing elsewhere.

EM2ABF

dti

the department for Enterprise

I recognise that you and other colleagues must consider carefully the implications of the project in terms of its need for public sector resources. Clearly you will want to examine the cost justification and to drive as hard a bargain with Olympia and York as you can. But I urge that appropriate weight is given to all that is riding on Docklands. Docklands has every chance of being an outstanding success but if we lose development momentum it will be difficult to get it going again.

I think the proposed underground line has considerable merit. I recognise the timing difficulties and agree we would do better to go for a sound project next year.

I am copying this letter to the Prime Minister, Nigel Lawson, Nicholas Ridley and to Sir Robin Butler.

Yours ever,
Tony

TONY NEWTON

EM2ABF

18. XI PMBB

TRANSPORT

CRT pt 2

CONFIDENTIAL

Cite DA
ccBS

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

1 November 1988

Dear Roy,

OLYMPIA & YORK: WATERLOO-GREENWICH LINE

The Prime Minister was grateful for your Secretary of State's further minute of 27 October. She has also seen the Chief Secretary's minute of 31 October.

The Prime Minister does not wish herself to take a meeting on this subject. She would be grateful if your Secretary of State, the Secretary of State for the Environment and the Chief Secretary could reach early agreement on a figure for the public contribution, within existing PES provision, to be put to Olympia & York in the negotiations.

The Prime Minister attaches importance to those negotiations being completed by the end of March 1989.

I am sending copies of this letter to Alex Allan (HM Treasury), Roger Bright (Department of the Environment), Peter Smith (Chancellor of the Duchy of Lancaster's Office) and Trevor Woolley (Cabinet Office).

Yours,

(PAUL GRAY)

Roy Griffins, Esq.,
Department of Transport.

CONFIDENTIAL

PRIME MINISTER

OLYMPIA AND YORK: WATERLOO-GREENWICH LINE

You will recall there were some exchanges on this a few weeks ago. You agreed at that stage that Mr Channon should maintain the line that, while the Government would welcome a private sector railway, there can be no Government or LRT commitment to promote a Bill until there is a satisfactory agreement on finance, risks and structure.

Mr Channon's further minute of 27 October (Flag A) reports on the latest exchanges. Key points are:

- Olympia and York (O&Y) have made substantial changes in their proposal. They now propose the Government should put up £225 million of public money. This compares with an estimated reduction in road congestion costs of, at most, £100 million.

- While LRT are still trying to get a Bill prepared in time for the private Bill s deadline of 20 November, it is now much more likely that a satisfactory Bill will not be ready until next year. The consequences for LRT of the King's Cross Report - which you saw at the weekend - are an obvious constraint. But Mr Channon suggests that, in practical terms, the delay to the Bill would probably not lose much time overall.

- He proposes that you convene a meeting of a small group of colleagues to consider how best to carry forward the negotiations with O&Y.

The Chief Secretary (Flag B) suggests that, on the presently available figures, the maximum justifiable public contribution is about £60 million. He stresses the importance of entering into no commitments until a satisfactory financial basis for the project - including the question on PES provision - has been found.

The Policy Unit (Flag C) suggest that whether the Bill is introduced this November or next November is a relatively unimportant side issue; the important point is that O&Y need to know by March 1989 where they stand. Greg Bourne therefore suggests you should urge Departments to make early progress on an envelope negotiating figure for the public contribution, with a closing date for negotiations with O&Y set for the end of March.

I frankly doubt if it would be sensible for you to take an early meeting on this:

(i) there are still detailed questions and issues to be sorted out between the Department of Transport, the Treasury and the Department of the Environment;

(ii) you need no reminder of the pressures on your diary over the next few weeks.

An alternative approach, consistent with the thrust of Policy Unit advice, would be for you to urge the Department of Transport, the Treasury and the Department of the Environment to reach agreement on:

- an envelope negotiating figure, within existing PES provision, for Department of Transport to resume talks with O&Y;

- to complete negotiations with O&Y by the end of March.

Content?

PAUL GRAY
31 October 1988

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CONFIDENTIAL

FROM: CHIEF SECRETARY
DATE: 31 October 1988

PRIME MINISTER

OLYMPIA AND YORK: WATERLOO-GREENNWICH LINE

Paul Channon copied to Nigel Lawson his minute of 27 October.

2 I welcome the idea of involving the private sector in our railway system, and the opportunity which is provided by the enthusiasm of Olympia and York for this project. It is a pity that it is not possible for the project to proceed without a public contribution, and I regret that the ideas of Olympia and York sponsoring the necessary Bill has had to be dropped. But I note that the proposal envisages private sector ownership and operation of the new line, and if this could be achieved it would be a worthwhile step forward both in the substance and the presentation of our transport policies.

3 There is, of course, no reason in principle why a private enterprise should not receive a public grant to part-finance construction of the line on the same basis as a grant would be paid to a public enterprise for the same purpose. We would need to be careful about safeguarding the public contribution in the event that the project did not come to fruition, and about basic accountability of the operator for the services provided in return for the grant, but I expect that a way could be found through these issues. Of immediate concern, however, and fundamental to the negotiations with Olympia and York, is the question of what the maximum public contribution should be.

4 My officials have only recently received the independent consultant's report and it is still being studied here. But it seems not to justify a public contribution as high as £100 million. The external benefits seem to lie in a range from as low as £20 million to as high as £90 million depending on the assumptions made. I should be happy for my officials to discuss this with Paul's but in the absence of any reason to favour one end of this range over the other, a maximum contribution of around

£60 million seems to be indicated. As Paul says, O & Y may not be prepared to pursue the project with a public subvention much less than the £225 million which they have now proposed. But on the other hand I expect that they stand to make a great deal from their investment in Docklands, and if a new railway is as important to them as they suggest, they may be prepared to do a lot better than their existing proposal.

5 In any case, it would be right to negotiate the minimum possible public contribution, and not to negotiate above a level which was justified by normal appraisal methods. If we are to encourage proposals of this sort, as I believe to be right, we must have a standard methodology for appraising them even-handedly.

6 Paul does not say how any public contribution to the project would be financed. If the Bill were lodged next year we could consider financing proposals in the 1989 IFR, although my present position is that I would expect the provision, which would be spread over a number of years, to be absorbed. If on the other hand we wanted to make commitments consistent with a Bill being deposited this November I would need to see from Paul very quickly his assessment of the level of costs in each year and how he proposed to meet them.

7 As he says, it is essential that no commitments are made until a satisfactory financial basis has been found. It would be quite inappropriate for the public sector to be sharing the risks of cost overruns or revenue shortfalls on a private project of this kind, and like Paul I see no case for a public equity holding. All this may require some hard negotiating with Olympia and York, but where public money for a project to support their development (from which they are aiming to make considerable profit) is concerned, we must be sure that we can offer a satisfactory account of what we do.

8 I am copying this minute to the Chancellor, Nicholas Ridley and Paul Channon.

P. Walker

pp JOHN MAJOR

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

Transport - LRT Pt 2.

BF Madey pu

PRIME MINISTER 28 October 1988

See top enc

OLYMPIA & YORK: WATERLOO-GREENWICH LINE

Canary Wharf's attractiveness to clients depends to a large extent on proper infrastructure. The Docklands Light Railway is already being uprated and is still perceived as a bottleneck.

O&Y have proposed an imaginative scheme, part privately and part publically financed, to build an underground railway from Waterloo to Greenwich Peninsula via Docklands. The scheme would enhance the attractiveness of the Docklands area to clients and help open up the Greenwich area for new development.

There are three main benefits from the scheme:

(a) It continues the development momentum in docklands and sets the ball rolling in Greenwich.

(b) It advances the cause of bringing the private sector into building, owning and operating infrastructure projects.

(c) It expands the London underground system and eases congestion on some lines.

URGENCY

O&Y would like LRT to sponsor a private bill this November. DTp believe next November is safer. Paul Channon urgently needs a meeting with colleagues to decide how much government support should be given to the project.

WE ARE STILL IN A NEGOTIATING POSITION!

In commercial terms O&Y have a lot to lose if their developments slow down. Equally the government has much to lose if inner- city redevelopment momentum is lost. The negotiation should end in a win-win situation:- They want a specific development - we want general redevelopment and economic growth.

There is a solution to the negotiation if DTp are empowered to negotiate knowing they will have HMT, DOE and your support.

DTp might seek extra money beyond their PES round settlement. This should be resisted. The project finance phasing is such, that only about £60m comes in this PES round. This can be found within DTp's budget. Paul Channon should be pressured first into finding internal savings - that way he will drive a harder bargain.

O&Y want the bill sponsored by LRT this November - forcing the pace could jeopardise both DTp's negotiating position and the passage of the bill.

O&Y need to be able to announce that their new private sector railway will be built and has wholehearted government support by about March '89 or they lose commercial opportunities. (The decision whether to sponsor a late private bill or wait until November 1989 is a detail that can await the outcome of negotiations).

Conclusion

- If you feel this matter is important, there should be a meeting of colleagues to discuss the scheme.

- DTp, DOE and HMT should decide within one week or at most two weeks, the level of support they are prepared to give.

- DTp will require an envelope negotiating figure but it is important that this is financed from within their present PES figure.

- You should set the closing date for negotiations with O&Y as the end of March.

G D BOURNE

TRANSPORT

LRT pt 2

CONFIDENTIAL

cc PU

Prime Minister

OLYMPIA & YORK: WATERLOO-GREENWICH LINE

1. Since I wrote to you at the end of ~~last~~ May month, a lot of work has been done on the proposals by Olympia & York for a new underground line from Waterloo to Greenwich via Canary Wharf. I have now had reports from both Lazards and Halcrow Fox on the proposals. I believe that we must very shortly come to decisions about the finances and timing of the project. There are also some technical issues to tackle; these arise because, as you will see from the attached chronology of events, Olympia & York have changed their proposals several times.

2. It has become clear to us only earlier this week that Olympia & York are basing their proposal on 2-car light rail technology, rather than heavy railway design normally associated with underground systems. This leads to the need for very high speeds and high frequency (some 48 trains per hour), severely limiting the scope for connection with other parts of the network. I shall take this up with Olympia & York.

3. As to finance, Olympia & York are proposing that the Government should put up £225m comprising both grant and equity. The public sector would take the risk of capital cost overruns as to 49% and of the revenue risk as to 38%. The attached tables summarise the Olympia & York financing proposals; estimates of costs and revenues on the new line; and the external benefits and costs as assessed by both Olympia & York and our consultants. On these figures one has to doubt whether the line can generate an operating profit to remunerate even a small part of the capital. However, if Olympia & York are willing to shoulder the risk I would like to help them.

CONFIDENTIAL

4. I believe that the capital cost of the railway is likely to be between £470m and £640m rather than Olympia & York's earlier estimate of £400m. This and the risks of capital overrun and revenue loss imply that we should offer Olympia & York a fixed capital sum and leave the private sector to put up the remaining capital and take all the equity. If a capital contribution were to be justified in the normal way applied to transport projects, its amount would be equivalent to the value of the road congestion relief generated by the project. Our consultants estimate this as £100m at the most. To persuade Mr Reichmann to accept a deal on this basis will not be easy. If we were to offer more, it would have to be on the basis of development benefits in the area deriving from the new line; but these have not been quantified nor is it clear how they would be captured by the public sector to the benefit of the line.

5. Meanwhile LRT are putting every effort into the preparation of a Bill in time to be deposited by the deadline for Private Bills of 20 November. But there is at present no certainty that a satisfactory Bill can be achieved in time; indeed LRT are seriously concerned that any such Bill will be inadequately prepared and will suffer in its passage through Parliament as a result. I have looked at the possibility of a late Bill procedure, but it appears, even if technically possible, to offer no significant advantages.

6. I believe the technical, financial and legislative considerations point to going forward with this project only on the basis of a satisfactory financial deal and a better considered Bill next year. In practical terms, that would probably not lose much time overall; it would lead to an opening of the Railway in about 1994. Moreover, from Olympia & York's point of view, a firm agreement on a sound project next year may be more useful to them in carrying forward their project than a rushed and ill-considered Bill deposited this year. From the Government's point of view we would be able to negotiate an acceptable financial package before committing ourselves.

7. The difficulties of dealing with this over the next few weeks are of course compounded by the receipt of the Fennell Report, about which I am minuting you separately, and which has serious implications for the Board of LRT.

8. I propose that we should meet with one or two interested colleagues as soon as possible to decide how these negotiations should be carried forward and the level of Government contribution that might be appropriate.

9. I am copying this minute to Nigel Lawson, Nicholas Ridley, Tony Newton and to Sir Robin Butler.

P.C.

PAUL CHANNON

27 October 1988

TABLE 2

HFA ESTIMATES OF ANNUAL OPERATING COSTS AND REVENUES : £million

Forecast Employment line	114,000	88,000	88,000/72,000	54,000/45,000
Revenues at LUL Fares Levels	11.0-13.7	6.7-8.4	10.2-12.7	7.8-9.8
Profit/(Loss)(Operating Costs £10m pa)	1.0-3.7	(1.6-3.3)	0.2-2.7	(0.2-2.2)
Revenues with Premium Fares	15.4-19.2	9.4-11.8	14.3-17.8	10.9-13.7
Profit/(Loss)(Operating Costs £10m pa)	5.4-9.2	(0.6)-1.8	4.3-7.8	0.9-3.7

TABLE 1 : O&Y FINANCING PROPOSAL

	£ million	
Capital Cost (revised)	460	
Financed by:		
Private sector debt/leasing arranged by O&Y but serviced by revenues	100	
Equity : O&Y (for Canary Wharf Station)	35	
Private sector (underwritten by O&Y)	100	
		235
LRT	81	
Government grant	144	
		225
		460

Notes:

1. Capital cost overruns to be shared between public and private sectors in ratio of contributions, viz 225 : 235 (49% : 51%).

2. Revenue risk (to service debt/leasing) borne by joint venture company and apportioned between public and private sectors in ratio of equity contributions, viz 81 : 135 (38% : 62%).

19 September	Meeting between Secretary of State and Mr Reichmann at which Mr Channon made clear the Government's preference for a private sector project and advised O&Y to consider depositing their own Bill.
23 September	Minute from Mr Channon to colleagues on progress of negotiations. HFA instructed to provide final Report within 4 weeks.
5 October	Replies from colleagues received.
17 October	Letter from Mr Reichmann to Mr Channon revising O&Y's financing proposal primarily by increasing O&Y's offer to raise equity from £100m to £135m. Capital cost now estimated at £460m (replied to on 19 October).
20 October	Letter from Mr Dennis to Mr Channon clarifying Mr Reichmann's letter particularly with respect to Government's share in capital and revenue risks.
21 October	Report received from HFA of their review of the O&Y proposal.
24 October	Advice received from Lazards in the light of HFA's appraisal.

OLYMPIA & YORK PROPOSALS FOR SECOND RAIL LINE TO DOCKLANDS; CHRONOLOGY.

May 1988	Proposal by Olympia & York to extend Bakerloo Line to Docklands.
18 May	Meeting between Mr Channon and Mr Paul Reichmann. Presentation of Bakerloo Line proposals.
24 May	London Underground Limited (LUL) produce preliminary assessment of proposal.
7 June	Mr Dennis, Olympia & York, explained proposals to senior DTp officials.
20 July	Letter from Mr Paul Reichmann to Mr Channon outlining new proposal for Waterloo-Greenwich underground railway: capital cost £400m.
21 July	Senior DTp officials meet O&Y to discuss proposal.
9 August	LUL produce initial analysis of O&Y proposal.
12 August	Letter from Mr Dennis to Dr Ridley, LUL, with comments on analysis.
18 August	Letter from Mr Channon to Prime Minister, Chancellor of the Exchequer and Secretary of State for the Environment on Government's response to O&Y proposal.
24 August	Responses received from Ministerial colleagues. Meeting between Mr Channon and Mr Reichmann at which Mr Channon made clear that deposit of a November Bill might be possible if the financing gap were bridged.
26 August	Ministers approved appointment of Lazards to advise the Department on financial aspects of the proposal.
30 August	Ministers approved appointment of Halcrow Fox & Associates (HFA) to advise the Department on transport aspects of the proposal.
7 September	O&Y submit evaluation prepared by their consultants of costs and benefits of the project claiming benefits external to the project of £553m to £774m.
15 September	LUL present their outline assessment of O&Y's proposal.
15 September	HFA present initial appraisal of O&Y proposal suggesting capital costs substantially underestimated and benefits substantially overstated.

Table 3 Benefits and (Costs) External to the New Line

£ million. New Present Value

	O & Y High (Note i)	O & Y Low (Note i)	HFA as O&Y Low (Note ii)	HFA High (LTS) (Note ii)	HFA High (Note iv)	HFA Low (Note v)
Forecast Employment	139,000	114,000	114,000 Jobs	88,000 Jobs	88,000/72,000 Jobs	54,000/45,000 Jobs
Road Congestion	300	230	39-90	35-90	35-90	35-90
DLR No Contractual Upgrading	44	44	44	44	44	-
No Lewisham Extension	97	97	-	-	-	-
No Tower Hill Interchange	30	30	-	-	-	-
Reduced profitability	(30)	(20)	(70)	(42)	(28)	0
Total DLR	141	151	(26)	2	16	0
LUL Capital Cost Savings	50	37	Broadly Neutral			
Improved Profits	200	90				
Total LUL	250	127				
BR Cost Savings	8	5	-	-	-	-
Improved Profitability	50	25	5	6	5	2
Total BR	58	30	5	6	5	2
Bus	25	15	-	-	-	-
Total	774	553	14-69	43-98	56-111	37-92

Notes:

i. O&Y estimates for 139,000 jobs (with secondary redevelopment) and 114,000 jobs in the Isle of Dogs.

ii. HFA estimates from LUL model for 114,000 jobs with and without the new line.

iii. HFA estimates from LTS model for 88,000 jobs with and without the new line.

iv. HFA estimates from LUL model for their high employment forecast of 88,000 with the new line and 72,000 without.

v. HFA estimates from LUL model for their low/medium employment forecast of 54,000 with the new line and 45,000 without.

TRANSPORT: UKT PT2.

CONFIDENTIAL

File
BJ2 CVL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

5 October 1988

Dear Roy,

OLYMPIA AND YORK: WATERLOO-GREENWICH LINE

The Prime Minister was grateful for your further minute on this subject. She has also seen the Financial Secretary's letter of 30 September and the Secretary of the State for the Environment's minute of 4 October.

The Prime Minister thinks that Mr Reichmann's sensitivities about promoting a Bill himself are reasonable. She believes therefore that your Secretary of State should be cautious in advocating that approach. She recognises however that Olympia and York are engaged in a negotiating process; and she agrees that your Secretary of State should maintain the line that, while the Government would welcome a private sector railway, there can be no Government or LRT commitment to promote a Bill until there is a satisfactory agreement on finance, risks and structure.

I am copying this letter to Roger Bright (Department of the Environment) and Jeremy Haywood (Financial Secretary's Office).

Yours,
Paul

Paul Gray

Roy Griffins Esq
Department of Transport.

CONFIDENTIAL

PRIME MINISTER

OLYMPIA AND YORK: WATERLOO-GREENWICH LINE

When you saw the papers on this last night you expressed doubts about urging Mr Reichmann to promote a Bill.

But, equally, I assume you would not want Mr Channon to be too forthcoming in promising Government support - either financial or Parliament - at this stage. There is the argument - strongly supported by the Policy Unit - that Mr Reichmann is engaged in a commercial negotiation designed to minimise his exposure and maximise the public sector contribution; and that he can well afford to raise his proposed contribution. As things stand, the public contribution could be as much as £400 million - money that is not available in the Department of Transport's present expenditure plans.

Are you content for me to minute out your views on the basis of the draft letter attached?

Yes

PRCG

Paul Gray

5 October 1988

MJ2CVM

PRIME MINISTER

OLYMPIA AND YORK: WATERLOO-GREENWICH LINE

During the summer you saw some earlier papers about the proposal by Olympia and York for a new underground line from Waterloo to Greenwich via Canary Wharf.

Paul Channon's latest minute (Flag A) reports on his discussions with Mr. Reichmann. Reichmann is pressing for a Government commitment that LRT should this November bring in a Bill to authorise construction of the line. Mr. Channon proposes (paragraph 5) that, while welcoming the possibility of a private sector railway, he should not give any commitment at this stage until there is a satisfactory agreement on finance, etc.; instead he should urge Olympia and York themselves to promote the Bill.

Mr. Channon's line is supported by the Financial Secretary (Flag B), Mr. Ridley (Flag C) and the Policy Unit (Flag D).

Content to agree Mr. Channon's proposed approach?

PRCG.

PG

4 October, 1988.

I think Mr. R's sensitivities about promoting a Bill himself are reasonable. It is our largest commercial development. I don't want us to alienate the O&Y.

MT

cc PA

SECRETARY OF STATE FOR THE ENVIRONMENT

Prime Minister

Paul Channon copied to me his minute about the progress of his discussions with Paul Reichmann about the Olympia and York proposal for a new rail link from Waterloo to the Greenwich Peninsula. I agree with the negotiating position he is adopting.

I am studying the scope for a significant scale of housing and other development on the Peninsula and on four other large underutilised sites in eastern London. Our consultants (Coopers Lybrand) are due to report in late October. Their report may well argue that mass transit rail access is the best way to ensure a large-scale contribution to London's housing supply. I share Paul Channon's view that the developers on the Isle of Dogs, particularly Olympia and York, and at Greenwich and elsewhere should be encouraged to promote, finance and manage a private sector rail link, albeit with an appropriate Government grant in support. The Canary Wharf project would certainly benefit greatly and should contribute. We have to see whether Olympia and York can bring in contributions from other developers but I see no scope for the London Docklands Development Corporation to contribute.

I am copying this minute to Paul Channon and Nigel Lawson.

NR

4 October 1988

TRANSPORT
LRT pt 2

PRIME MINISTER 30 SEPTEMBER 1988

OLYMPIA AND YORK - WATERLOO-GREENWICH LINK

CANARY WHARF

Infrastructure provision if a necessary but not sufficient condition to enable development to occur and thus development and infrastructure provision in docklands have followed a leapfrogging path.

First, general roads were already there. Then LDDC was formed - small developments started. The DLR was built - more development came. The DLR is now being enhanced and extended - development continues apace. However O&Y now see a bottleneck developing in the infrastructure provision which they see as threatening continued expansion at Canary Wharf.

Their imaginative solution, a part privately funded/part publicly funded Waterloo-Greenwich tube is seen as a way to protect their developments. **The proposal however must be seen as the first steps in a negotiation process.**

It is in O&Y's interest to inflate the external benefits and deflate both the costs and farebox provisions. It is also in their interests to covertly warn the government that they are worried about the viability of their projects if infrastructure is not provided! Overtly they must talk only about the possible enhancement of new areas rather than the possibility of non viability of their own projects.

My reading of O&Y is that their continued pressure is mainly bluff - the first stage of a negotiation.

Doubtless, better infrastructure is required but I'm equally sure that the private sector could and would provide more finance they is currently on the table. Paul Channon is correct in not offering unconditional financial support before he has an independent view of the overall costs and benefits.

INFRASTRUCTURE PRESSURES

Continually we hear demands for new infrastructure provision. Several studies are underway in DTp, not the least of which is the Central London Rail Study. Proposals for better links to the north and for a rail line to carry freight to and from the tunnel, bypassing London are also being put forward.

The subject of infrastructure provision linked to development of the economy is deserving of study. I will be submitting a paper in the near future.

CONCLUSION

- Support Paul Channon's proposed tactics in this specific case!

- Demands for other projects will continue to come forward. Rather than tackling each demand separately and at short notice we need to develop a strategic view. I will provide you with a paper.

GREG BOURNE

084JRF42.2

cepu

FINANCIAL SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON SW1P 3EB

30 September 1988

Dear Paul

OLYMPIA AND YORK: WATERLOO-GREENWICH LINE

I have seen a copy of your latest minute to the Prime Minister below about the handling of the Olympia and York proposals.

I entirely agree with the line which you propose to take with Mr Reichmann. But as I am sure you recognise, it would be best to stress to him at the same time the opportunity which his sponsorship of a Bill would present: he may be inclined to see it entirely in terms of problems, and he might perhaps infer that we were being uncooperative.

On the contrary I share your enthusiasm for greater involvement of the private sector in railways, and I see potential in this situation for a breakthrough in the construction, ownership and operation of a new railway service in private hands. We must exploit this potential as much as we can. I can quite understand that Mr Reichman will be reluctant to pioneer a new direction in railway policy when at the end of the day his interest is in maximising the value of his investment in Canary Wharf. I do not underestimate the importance of Canary Wharf to the local economy; but as you say, Olympia and York may well be overplaying the economic benefits of the proposed new line. And if the new line were to be an addition to London Underground's network, albeit financed in part by Olympia and York, we should need to think carefully before giving it an inside track ahead of all the other ideas for investment which are being considered in the Central London Rail Study.

We should in any case need to be absolutely sure that the scale of public investment and risk was commensurate with the benefits, and that finance could properly be allocated for it against other claims, before making even the provisional commitment implicit in deposition of an LRT-sponsored Bill.

What I find most interesting in this proposal, and which I should not like to see prematurely discarded, is the chance that Olympia and York will (if necessary) advance a much more 'private sector' proposal than they have hitherto. After all, they are highly critical of the Docklands Light Railway and they envisage exercising considerable influence over the design and operation of the proposed new railway. They also clearly see considerable direct benefits to themselves if the proposal were to go ahead, and we may assume that if they are initially proposing to underwrite a contribution of £100 million, then they probably feel that they could afford more than that. If there were to be a public contribution to the capital costs it would have to be justified and afforded. But in principle, there is no reason why a public contribution should not be made to a private railway.

We should then need to think carefully about the assurances which would be needed concerning what we were getting for the money, and the recourse we would have if they were breached. We should need to be careful that these assurances did not create a structure in which the public sector was effectively in charge of construction and operation, so as to dilute or negate the benefits of private involvement. Because this is uncharted territory we would need to proceed with caution - and again that argues against rushing into commitments in November - but it would be frustrating if a satisfactory way through could not be found.

I understand that if we were looking for a private project at the end of the day, an LRT-sponsored Bill would be a false start. It would prejudice the negotiations with Olympia and York; and it could make it difficult subsequently to transfer the undertaking into the private sector. Like you I think that we should not exclude an LRT Bill, and LRT should continue to prepare for it. But even if this were to be a conventional public project, there would be obvious practical difficulties in being ready by November, leaving aside the fact that other schemes for new railways are being evaluated and that you have not made specific expenditure provisions for this proposal or any other.

It is surely right for Mr Reichman to know that come November we may not be ready to authorise deposit of the Bill by LRT; that the project will need careful appraisal (particularly of arrangements for injecting a public contribution if that should be found desirable); that we would give no commitment to it until all aspects of finance, responsibility and risk had been settled; and that our strong preference would be for private sector ownership and operation with minimal public involvement.

It would therefore, as you say, be wiser for him to consider an Olympia and York-sponsored Bill, which would not preclude continued cooperation from LRT and subsequent support if that were found to be appropriate. It would have the advantage of keeping to the tight timetable he has set; it could greatly ease arrangements for a private ownership structure at the end of the day, giving Olympia and York influence over the project to avoid whatever problems they allege about the way in which LRT has designed and is running the DLR; it would make it easier (I presume) for you to say something encouraging (but non-committal)

the proposal when it emerged; and it would make the Bill if anything less vulnerable to interference during its passage from local interests who would want to change the character of the proposal from a premium express route into a commercial centre to one with (say) many more stopping points.

It would be a pity if such a response to Mr Reichmann were construed as a rebuff, and I am sure that you will be at pains to see that it is not. I should be interested to be kept in touch with developments. Copies of this go to the Prime Minister and the Secretary of State for the Environment.

NORMAN LAMONT

Transport - LRT Pt 2

CONFIDENTIAL

Prime Minister

OLYMPIA AND YORK: WATERLOO-GREENWICH LINE

1. Since I wrote to the Secretary of State for the Environment (and copied the letter to you and the Chancellor of the Exchequer) on 18 August about the proposals by Olympia and York for a new underground line from Waterloo to Greenwich via Canary Wharf, I have seen Mr Reichmann twice, and Olympia and York have put forward a revised evaluation of their proposal. I would very much welcome the prospect of a private enterprise underground railway in London, and I am keen to give the development of Docklands all the support I properly can. The Chairman of the London Docklands Development Corporation has written to me expressing very strong support for the proposal but saying his Corporation cannot contribute to the cost.

2. I have retained Lazards and Halcrow Fox to advise me with all urgency on Olympia and York's proposals, and expect their full report in about four weeks. Unfortunately their preliminary view, as the attached note shows, is that the line is likely to cost a good deal more than Olympia and York's estimate. That means that, as at present structured, Olympia and York's proposal would require a very large public sector contribution, a good deal more than the £220 million Olympia and York have suggested, perhaps even twice as much.

3. Mr Reichmann continues to press on me that LRT should this November bring in a Bill to authorise the construction of the line. LRT are doing all they can to make it feasible. But I doubt whether we could reach a satisfactory financial agreement with Olympia and York by then. A Bill brought in by LRT before such an agreement had been reached would make it very unlikely that we would secure a private contribution of more than the £100 million that Mr Reichmann has offered to organise, and we could find ourselves committed to building the line in the public sector at our risk and at a public sector cost of £400 million or more.

CONFIDENTIAL

4. It would be entirely open to Olympia and York to promote the necessary Bill themselves, and I have urged Mr Reichmann to consider that possibility. He could then control the timetable and we could decide what contribution we would be justified in offering. He is reluctant to go down that road, since he thinks such an initiative by an overseas company might not be well regarded particularly by Lambeth, Southwark and Greenwich who might all petition against the Bill; and he is anyway concerned about whether that is the best course from the point of view of marketing the Canary Wharf development.

5. It would clearly be premature for us to decide now that it would be right for LRT to take the initiative in promoting a Bill this November, because we cannot yet be satisfied that this is a project for which we can offer financial support. I have asked LRT to press on with preparation of the Bill on a contingent basis, and my consultants will give me their assessment of the project as quickly as they can. But I think it will be right for me to maintain with Mr Reichmann the position that there can be no Government - or LRT - commitment until there is a satisfactory agreement on finance, risks, and structure; that we would welcome a private sector railway; and in order to meet his timetable of introduction this November it would be wiser for him to arrange for Olympia and York to promote the Bill.

6. I am copying this minute to the Chancellor of the Exchequer and the Secretary of State for the Environment and should be grateful to know whether you see any difficulty in the line I propose.

P.C.

PAUL CHANNON

September 1988

TRANSPORT: London Regional Transport
Pt 2

OLYMPIA AND YORK: WATERLOO - GREENWICH LINE

NOTE BY THE DEPARTMENT OF TRANSPORT

1. An earlier paper circulated by the Secretary of State for Transport to colleagues under his letter of 18 August described the proposal by Olympia and York (O & Y) for a new Underground railway linking Waterloo and the Greenwich Peninsula; on the evidence then available the project was of doubtful viability. O & Y have done further work.

O & Y's proposal

2. O & Y have prepared a fresh evaluation of the project. This is summarised in the table at Annex A. They are seeking deposit of a Parliamentary Bill in November to secure completion of the railway under a turnkey contract by 1992. Detailed work by LRT and O & Y on engineering drawings and plans in preparation for a Bill is proceeding apace and discussions with the London boroughs and others affected have started.

3. The O & Y analysis shows a capital cost for the project of £400m, and operating profits that would support a debt of £80m. They are offering to raise £100m in recognition of land development gains, leaving £220m to be contributed by the public sector either as grant or as investment by LRT and BR.

4. The Department of Transport has appointed Lazard Brothers to advise on financing arrangements and on potential development gains; and transportation consultants, Halcrow Fox and Associates to advise on traffic flows and the costs and benefits of the line. Their initial view, is not encouraging. Halcrow Fox suggest that the capital cost is considerably understated, perhaps up to 50%; that operating costs are underestimated; and that O & Y's estimate (£550m) of the total public benefits is considerably exaggerated.

5. As regards financial structure, O & Y clearly see this project as a joint public/private sector venture with majority private ownership and control, but with the public sector contributing a substantially

larger share of the finance. The initial view of Lazards is that there are very high risks attaching to the project in terms of costs and revenues; and that so far as the purpose is to support the marketing endeavour at Canary Wharf, the risks should more appropriately fall on the private sector.

The present position

A Structure of the Undertaking

6. Without closing the door on other options, the Department has put to O & Y a preference that the railway should be owned and operated by the private sector. Under such a scheme the private company would be free to determine the route, the number of stations, the level and quality of service it wished to provide and the prices it wished to charge. To maximise revenues a premium fare could be charged reflecting the high quality express service which O & Y are promoting.

7. Following the Lazard view, the appropriate approach seems to be for the private sector participants as beneficiaries of the associated land development gains to take a maximum financial stake (and bear the risks) with the public sector contributing a residual as necessary (and economically justified) to ensure viability. It would then remain to take a view on how such a public sector contribution should be distributed between the Government and the transport industries and as to whether it should be associated with some form of equity stake. This approach contrasts with that of O & Y, in which they seek to justify a majority contribution from the public sector by reference to total external benefits leaving the private sector to contribute the residual.

8. O & Y have said that they understand the benefits of a competitive private line, but they have argued that the line can only operate effectively as an integral part of the London Underground network so that the user can interchange freely, and this excludes the possibility of charging premium fares. However there would be no impediment to a private company participating on commercial terms with the other operators in the Travelcard/Capitalcard arrangements.

B Sponsorship of the Bill

9. Work has proceeded to date on the basis of the possible deposit of an LRT Bill in November. To proceed through an LRT Bill when the intended beneficiary is in the private sector would require some devices. LRT could establish a subsidiary which will promote the Bill securing the powers to construct and run the railway; these powers would be transferred to the private sector on change of ownership of the subsidiary. It would be possible to have a change in ownership of the company during passage of the Bill without a change in the Bill's sponsor. There are nevertheless serious disadvantages in this course:

(i) The difficulty in explaining to Parliament why an LRT subsidiary is the sponsor while the powers are intended to be exercised by the private sector;

(ii) the need to explain to Parliament that while LRT owned the subsidiary it would be subject to LRT's general duties on eg fares policy and concessionary fares but that would cease to be the case on transfer to the private sector;

(iii) the Secretary of State's consent to the deposit of LRT's Bill (a statutory requirement) would mark a considerable degree of Government commitment; this would seriously weaken the public sector's future negotiating position if important issues of risk or financing were still unsettled.

10. It has therefore been suggested to O & Y that they should sponsor the Bill themselves as being entirely consonant with the proposal that the railway would be under private sector control. The chances of achieving their objectives for the railway would be enhanced if it were promoted by a body which would be free from the constraints which apply to a statutory body such as LRT. O & Y have agreed to consider this further but are reluctant to make this commitment. They have argued that there are countervailing political difficulties; and also have a worry that an implied admission of inadequate transport connections to Canary Wharf might not help their immediate marketing prospects.

11. The Parliamentary timetable requires deposit of plans for the railway on 18 November and of the Bill on 25 November if the Bill is to proceed this year. The decision on sponsorship is therefore on the critical path. The earliest realistic date for completion of the assessment by the Department's consultants of O & Y's case for the project, to provide a basis for considering what level of Government support might be appropriate, is 21 October. It thus seems unlikely that agreement could be reached with O & Y on financial arrangements before the deadline for the deposit of a Bill this year. Unless the risks to Government of agreeing to the deposit of an LRT Bill in advance of an agreement with O & Y (even if stated to be contingent on a later agreement) are accepted, the realistic options to be put to O & Y for decision are:

(i) deposit by O & Y of a Bill in November with Government support to follow at Second Reading (which could be delayed as necessary) if satisfactory agreement on financing is reached;

(ii) deposit of an LRT Bill following an agreement on financing with O & Y, which would almost certainly mean deferring the Bill until next year.

Department of Transport
21 September 1988

ANNEX A

EVALUATION BY OLYMPIA & YORK OF SECOND LINE TO DOCKLANDS

)SES

ITEM			£M (NPV)	
Capital Cost (Waterloo-Greenwich Peninsula)			400	
Debt supported by fare box profits			80	
Equity funding arranged by Olympia & York			100	
Identified requirement to be met through Grant and investment by LRT/BR			220	
Benefits			**£M NPV**	
			'Low'	**'High'**
Road Congestion Cost Savings	Isle of Dogs		115	150
	Rest of London		115	150
DLR Cost Savings	No 3 unit ops.	)	44	44
	No Lewisham Ext.	)	97	97
	No Tower Hill i/c.	)	30	30
DLR Reduced profits			(20)	(30)
LUL(1) Cost Savings (Northern/Central Line)			37	50
Improved Profitability			90	200
BR Cost Savings (Waterloo & City Line)			5	8
Improved Profitability			25	50
Bus Improved Profitability			15	25
	TOTAL		553	774

(1) SDG estimate to be discussed further with LUL.

CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

1. cc TJP for info
2. file

Dear Paul

22 SEP 1988

LRT FARES INCREASES

My Secretary of State thought that his Cabinet colleagues would want to be aware that the Board of London Regional Transport will be taking decisions later today, leading to an announcement tomorrow, about underground and bus fare increases to take effect on 8 January next year. A decision is required now because of the time needed to prepare for and implement the detailed changes.

The Board is likely to approve fares increases averaging just over 12 per cent, and the prices of some passes will rise by more. Overall, the increases will raise the Retail Price Index by about 0.02%. These increases will be controversial in London. But there is a very good justification for them.

LRT faces major congestion problems on the Underground: demand has risen by 70% since 1982 and strong continuing growth is forecast. Coping with this congestion will require very substantial investment; passengers are reasonably being asked to contribute to the cost of that investment through higher fares. It is in any case right that LRT should try to match their fares more closely to the cost of the services they provide. Underpricing, particularly of Travelcard, has contributed to the recent growth in patronage and the problems of congestion that has caused; unless LRT takes action to correct this these problems will only be exacerbated.

LRT's press briefing will stress this link between overcrowding, investment, and the need to pay for it through fares.

I am copying this letter to the private secretaries to other members of the Cabinet and to Sir Robin Butler.

Yours Roy

R J GRIFFINS
Private Secretary

CONFIDENTIAL

2157/9

CONFIDENTIAL

cc PYL
nbpm

FINANCIAL SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Neil Hoyle Esq.
Private Secretary to the Secretary of State for
Transport
Department of Transport
2 Marsham Street
London SW1P 3EB

22 August 1988

Dear Neil,

OLYMPIA AND YORK PROPOSAL FOR A NEW RAIL LINE TO GREENWICH

We had a word on the telephone about your Secretary of State's letter of ~~18~~ Plap August, in which I raised the Financial Secretary's concern about the potential impact of the Ryrie Rules. You agreed to meet this by amending para e of your Secretary of State's line to take at the meeting with Mr Reichmann to the following:

> "If however we could see how this gap were to be closed, and we were satisfied that the proposed project did not breach the Government's rules on private funding for public projects, then we would be ready to look at the deposit of a Bill in November for constructing the line".

I am copying this letter to the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer and the Secretary of State for the Environment.

Yours sincerely,

Robert Satchwell.

R C M SATCHWELL
Private Secretary

OCR3

nb pm CCPU

2 MARSHAM STREET
LONDON SW1P 3EB
01-~~XXX~~ 276 3000

My ref:

Your ref:

The Rt Hon Paul Channon MP
The Secretary of State for Transport
Department of Transport
2 Marsham St
London
SW1

22 August 1988

Dear Secretary of State,

Thank you for your letter (will request if required) of 18 August. You asked for urgent comments.

Obviously a mass transit rail link along the southern side of the Thames from Waterloo crossing over to Docklands and onto the Greenwich Peninsula would stimulate the economic growth and physical development of some still under-utilised areas. But I have to recognise the financing proposals for the proposed Waterloo-Greenwich line do not add up on present information. However we do need time to see this proposal in a wider context.

I think therefore it would be best to regard your meeting with Paul Reichman on Wednesday as one of negotiation not rebuttal. I think Canary Wharf should be encouraged to continue to see how far developers could assist us in the financing of improved transport access to areas along the Thames in East London. On that basis I agree with the general line you propose to take.

I am copying this to the Prime Minister and Chancellor of the Exchequer.

Yours sincerely,

Deborah Lamb

pp NICHOLAS RIDLEY

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

CONFIDENTIAL

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 August 1988

The Prime Minister has seen your Secretary of State's letter of 18 August to the Secretary of State for the Environment about Mr. Paul Reichmann's proposal for a new underground line from Waterloo to Greenwich via Canary Wharf. She feels that his line is unduly discouraging given that Canary Wharf is the largest commercial development in Europe, and has expressed doubt over the Docklands light railway's capacity to carry all the traffic that is likely to use it.

I am copying this letter to Deborah Lamb (Department of the Environment) and Alex Allan (H M Treasury).

P A BEARPARK

Neil Hoyle, Esq.,
Department of Transport

CONFIDENTIAL

CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

Prime Minister 2

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

18 AUG 1988

I think this is unduly discouraging. This is the largest commercial development in London

Dear Nicky,

Mr Paul Reichmann of Olympia and York wrote to me on 20 July, suggesting the construction of a new underground line from Waterloo to Greenwich via Canary Wharf. Mr Reichmann has been seeking a discussion with me, and I have now arranged to see him on 24 August.

On the latest employment forecasts, the Docklands Light Railway now being extended to Bank, partly at the cost of Olympia and York, will have the capacity to carry all the traffic that is likely to use it. Indeed, the final instalment of investment to enable the railway to operate three-car trains should be highly remunerative. As far as I can judge, Mr Reichmann's objective in suggesting a new underground line is to enhance the attractiveness of Canary Wharf by providing a direct connection to Waterloo. However, his suggestion seeks to improve the finances of the railway line by extending it to the Greenwich peninsula, where he suggests a very high density of development on land most of which is owned by British Gas.

This is doubtful

Mr Reichmann's suggestion was that Olympia and York should underwrite a contribution to the capital cost of the railway of £160m; but he envisages that some £60m of that would be provided by London Regional Transport and a further slice by London Docklands Development Corporation. He envisaged that a similar amount should be financed by "Government grant".

The paper enclosed shows that on the analysis that has so far been possible, the numbers are very far from adding up. I do not exclude wholly the possibility that further analysis and adjustments to the project might produce a justifiable case; but I think it is clear that the building of the line would require a private sector contribution of a good deal more than Mr Reichmann envisages, and it must be doubtful whether further work would be warranted. It must I suppose anyway be sometime before it could be established what density of development might be permitted on the Greenwich peninsula.

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In these circumstances, the line I propose to take with Mr Reichmann at the meeting, and subsequently by letter, is as follows:

a. we greatly welcome the vigour with which Olympia and York are carrying forward the Canary Wharf development, and their increasing interest in other projects in this country;

b. we have therefore studied with great interest the idea for a new Underground line from Waterloo to Greenwich. We have of course some very urgent priorities elsewhere on the underground to deal with the consequences of the King's Cross fire, and to cope with rising levels of congestion in the central area. But in deciding our priorities we would certainly want to take into account any well-justified scheme for improving further the access to Docklands;

c. my approach in principle is to be ready to approve an investment by London Regional Transport which can be remunerated by the revenues from the traffic. I would also be ready to take into account any external benefits in relief of road congestion or costs which could be avoided by relief of congestion on the central parts of the Underground system; but I would also have to offset a loss of revenue on other parts of the system from traffic transfer to the new line. Any gap remaining would then have to be covered by other contributions;

d. unfortunately, in this case the gap appears to be very large, and whilst further analysis or modification to the project or decisions about density of development at Greenwich might affect it to some degree, there would still be a large gap to bridge. In these circumstances, it must be for Mr Reichmann to decide whether it is worth his while to spend more money on further development of the project;

e. we would be ready to agree to the deposit of a Bill in November for constructing the new line, provided that we can see then how this gap is to be closed;

f. the alternative is of course to rely on the Docklands Light Railway and its planned extension to Beckton and the possible extension which is also being examined to Lewisham, and to make the most of the great advantages this railway can provide. In many ways, that course fits in better with the Government's own priorities;

g. we would not want to put any obstacle in the way of Olympia and York talking to other parties, including the London Boroughs; but it will be clear from what I have said that they cannot at this stage have any commitments from Government.

I am sending copies of this to the Prime Minister and the Chancellor of the Exchequer. I should be grateful to know by the evening of Monday 22 August whether you or they dissent from any of these proposals.

PAUL CHANNON

OLYMPIA AND YORK: PROPOSED RAIL LINK FROM WATERLOO TO GREENWICH

THE PROPOSAL

The proposal for a 9km underground railway from Waterloo to the Greenwich Peninsula with stations at Southwark, London Bridge, Surrey Quays and Canary Wharf (map at A) represents the culmination of a number of ideas promoted by Olympia and York for providing direct rail access to the Isle of Dogs from south of the river. They see advantages in building a new self-contained link, as opposed to extending the Bakerloo line (an earlier proposal) in the avoidance of the complexity and costs of making a connection with the existing system and the constraint of being tied to existing technology. They therefore envisage the provision of a high quality high speed service capable of being developed in due course into a regional express railway with extensions to Stratford and to Thamesmead as well as the West End.

O & Y's estimate of the capital cost at £400m has been revised upward by LRT to £420m phased as follows:

1989	1990	1991	1992
£40m	£105m	£178m	£97m

This phasing is dictated by O & Y's desire for completion of the railway, under a turnkey contract, by the end of 1992. They see LRT as the obvious operator of the railway and are seeking deposit of a Private Bill by LRT in November to meet this timetable.

O & Y are proposing that the project would be financed by a mixture of private and public equity, revenue-backed debt and Government grant. Enhanced values of land holdings, through additional density supported by improved transport infrastructure, notably in the Greenwich Peninsula and Surrey Quays, is seen as a source of equity. O & Y have some interest as a potential developer in the Greenwich Peninsula, where the railway would terminate. They are one of the firms bidding to be a partner with British Gas in the development of the latter's 242 acre site on the peninsula.

While the London Borough of Greenwich favours development for 2,000 houses (around 5,000 residents) and use of land for industry to provide jobs for local residents, O & Y's proposal envisages a development including very high density

housing. They are suggesting that 10,000 dwellings for 25,000 residents could be provided on the Greenwich Peninsula which would require development of a Knightsbridge density and character.

DOE have commissioned consultants to establish the scope for providing significant numbers of middle and low income dwellings not only on the Greenwich Peninsula but also on the Barking Marshes, Beckton Gasworks, Lower Lee Valley and Stratford Rail Yards and envisage of the order of 20,000 houses on all five sites together. DOE suspect that an outer surburban character will continue to be sought by purchasers and doubt whether housing on the density envisaged by O & Y would prove acceptable. For the purposes of an initial assessment of the traffic and finances of the railway, the development of 6,000 houses for 14,400 residents has been taken as a central assumption.

THE TRANSPORT CASE

London Underground Limited have made a preliminary assessment using their Network Model and based on assumptions agreed by O & Y's consultants. As stated above, the assumed housing development on the Greenwich Peninsula is for 6,000 units, about halfway between the levels put forward by the London Borough of Greenwich and that suggested by Olympia and York. The highest peak 3 hour morning flows on the new line - eastbound between London Bridge and Canary Wharf -will total around 20,000 passengers although only some 7,000 - 8,000 use the Waterloo-London Bridge section of the line in this direction. In the westbound direction some 3,000 passengers are expected to use the line. This represents a low level of peak demand for an underground line: by comparison, the westbound Central Line at Liverpool Street carries nearly 50,000 passengers.

On the basis of these traffic flows the financial performance of the line taken in isolation is very poor. As presently proposed and ignoring the effect on LUL's receipts from other lines, gross revenue is estimated at £18m p.a. With operating costs of £12m p.a., this new line makes an annual operating surplus of £6m. This is insufficient, by a very substantial margin, to provide an adequate return on capital. The NPV of the capital cost amounts to £373m; the NPV of the operating surplus, also discounted to the first year of capital expenditure, is no more than £45m giving a project NPV of -£330m.

Were the project to be evaluated as part of the LUL network, its interaction with LUL would enter into the assessment. LUL have estimated that the new line would abstract £11m p.a. from the rest of their network, resulting in net annual operating loss of £5m which yields, overall, a project NPV

of -£410m when capital costs are taken into account. In addition, the DLR and BR's Waterloo and City Line would also lose revenue to the new line although LUL have not provided us with estimates of these losses.

There are some reasons for believing that passenger demand and revenue might be higher than in this initial appraisal. For example, were Olympia and York's suggestion for high density development on the Greenwich Peninsula to be adopted the number of westbound trips would rise from 3,000 to 5,000. LUL propose to refine the way congestion on the BR Waterloo and City Line was modelled; this is expected to result in the transfer of 2,000 passengers to the new line in the eastbound morning peak. Higher fares might also raise revenue but the scope for substantial increases is limited since at significantly higher fares most passengers would divert to other routes, especially if implementation of a higher fare made it necessary to take the line out of the Travelcard and Capitalcard system.

Some detailed changes to the specification of the new line could increase demand although it is too early to say whether the additional revenue would exceed the relevant costs. For instance, high performance rolling stock would make the link more attractive by increasing journey speeds while improved stations, especially at the Surrey Docks interchange with the East London Line, would also increase demand.

At this stage LUL have not investigated the extent to which the proposed line would obviate the need elsewhere for investment to relieve congestion. If additional capacity on the existing system were required this would offset, to some extent, the revenue abstraction referred to above. However, it is clear that the planned upgrading of the DLR does not fall into this category since it will provide capacity sufficient for the forecast demand at a marginal cost which is substantially less than the increased revenues it will bring.

All these factors might go some way towards reducing the £330m NPV deficit on the project. But even on the most favourable assumptions for example, a 50% increase in revenues, would leave a financing gap of £270m in NPV and therefore we cannot envisage the project being viable without a substantial contribution from Olympia and York.

FINANCING

A financing gap for the line as a self standing project of £330m has been identified. On the basis of Olympia and York's financing proposal, the balance of costs, net of revenue backed debt, would be shared equally between

Government grant and equity, which O & Y would arrange and underwrite. They argue that a Government grant of around £160m towards capital costs would be justified in terms of alleviating congestion and journey time savings. The only case for Government grant, however, arises from the relief of congestion on the roads. The relief of congestion and the reduction of journey times for public transport users are now to be financed through fares.

An assessment of the extent to which the new line will provide relief of congestion on the roads will have to await estimates from the LTS model when this has been revised, following the CLRS work. Meanwhile it is difficult to substantiate benefits of the order claimed by Olympia and York. Our reason for this is that much of the traffic on the line is abstracted for other rail links and does not switch from the road network.

However the level of development postulated by Olympia and York on the Greenwich Peninsula would require the provision of substantial road infrastructure which the Department would look to the developers to provide. Otherwise, the A102(M), which is already at capacity, would become unacceptably overloaded. On the basis of a very provisional estimate, the minimum roads investment would amount to £60m to provide an East-West relief road from the Greenwich Peninsula through a single two way tunnel to the Isle of Dogs. On balance, therefore, the case for the Government making a net contribution on account of the highway network has not been established.

As regards the equity contribution, O & Y envisage contributions from the private and public sectors. O & Y anticipate that landowners and developers on the Greenwich Peninsula and along the route would have the scope and willingness to contribute out of gains in land values the cost of the Waterloo-Greenwich Link. Advice available to DOE suggests the land market on Greenwich Peninsula already reflects hope-value anticipating improvement of the transportation infrastructure. DOE doubts whether a sufficient land and development value could be generated to support the scale of financial contribution from developers for the Waterloo-Greenwich link assumed by O & Y and put the potential developer gain available from the Greenwich Peninsula site at £50-£90 million.

O & Y have given no indication as to how such gains, which are expected to accrue to a relatively large number of developers, will be realised in a contribution to the line's costs.

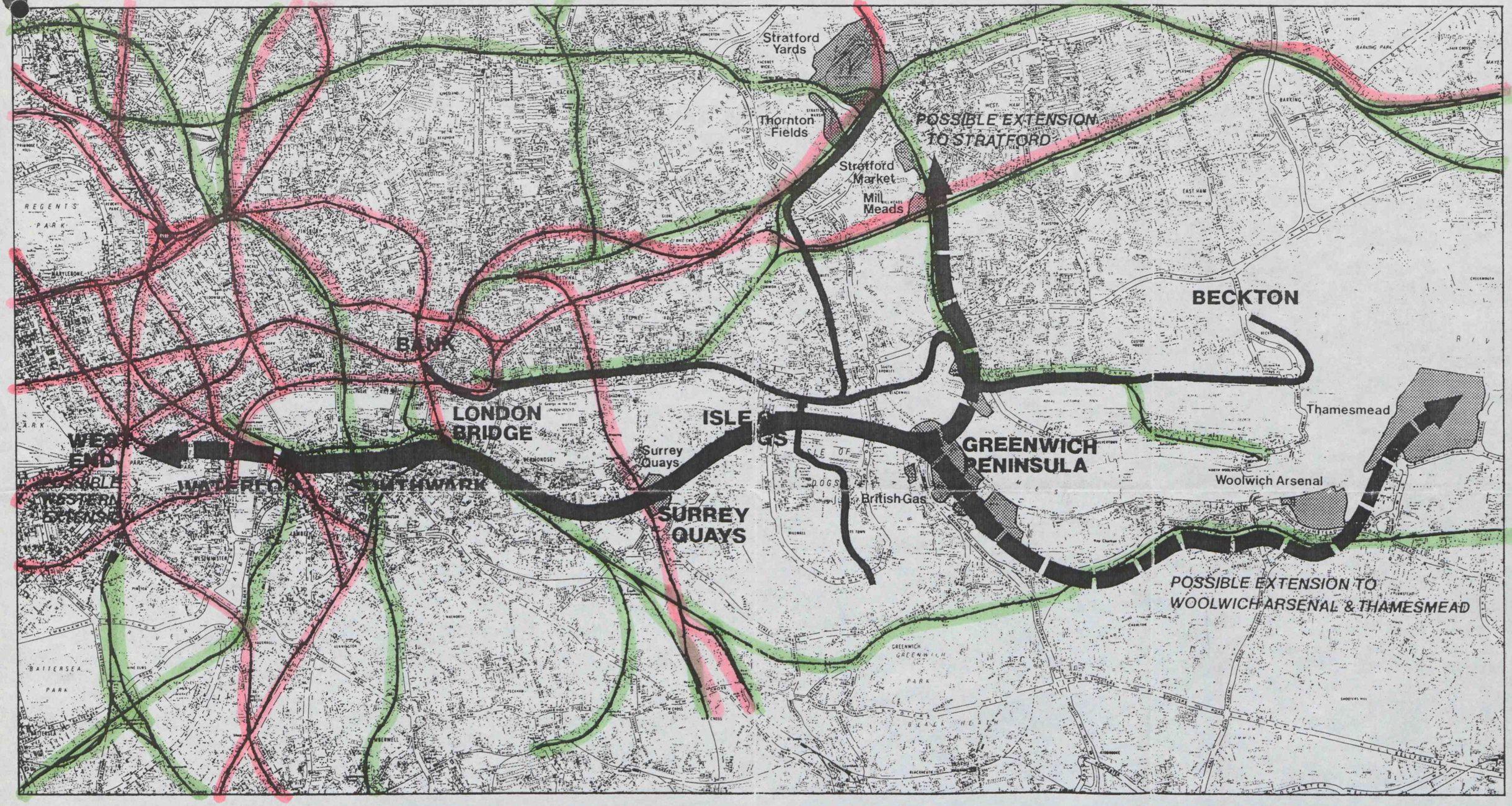
The public sector contribution to the equity, as envisaged by O & Y, contains two main elements. First an investment of some £35m which O & Y estimate as the costs to LRT of the

upgrading of the DLR Bank extension to cater for 10m square feet of development at Canary Wharf (to which LRT are committed under their funding agreement with O & Y). While O & Y regard this as expenditure which is no longer necessary, they are not taking into account the loss of revenues which would more than pay for that investment.

Second, O & Y propose a further LRT contribution of £25m on account of the avoidance of further investment for relieving congestion elsewhere on the system. This, however, represents a category of investment which is properly funded by users who are the beneficiaries of such expenditure. They also pray in aid the prospect of enhanced receipts on the underground, BR and DLR which is inconsistent both with their claims concerning congestion relief and the results of the present appraisal.

CONCLUSIONS

This provisional assessment reveals that even as a free standing scheme in competition with LRT and BR there is a very substantial financing gap of the order of £330m in NPV. These proposals for public sector contributions in grant and equity on the scale envisaged are unacceptable. A much higher private sector contribution and one which is greater than might be expected to accrue out of the development gains would be required. It seems premature to assume that the very high densities envisaged by O & Y on the Greenwich Peninsula could be provided except on the understanding that they would meet the high costs of providing the road connection. The present proposal does not therefore form an adequate basis for the deposit of a bill in November.



Proposed second rail link to Docklands with potential development sites **Figure 6.1**

017/4210

CONFIDENTIAL

CC BG

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

NBPM
BRC6
13/4

12th April 1988

Dear Secretary of State,

LONDON UNDERGROUND: PAY

Thank you for your letter of 7 April. at top

I am generally content with the overall offer LUL intend to make.

I understand that the average earnings effect of the whole package will be about 5½ per cent. I would not wish to see this rise and the whole package should certainly be no more than 5½ per cent overall. My agreement is conditional not only to this, but also to the total cost being consistent with the revised, but unpublished, Chairman's objectives.

I am copying this letter to the Prime Minister, other Members of E(PSP) and to Sir Robin Butler.

Yours sincerely

Joi Eddis

pp JOHN MAJOR

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

TRANSPORT: London Regional Transport Pt 2

CONFIDENTIAL

CC(88)

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1

NBPM
BRec
7/4

Dear John.

-7 APR 1988

LONDON UNDERGROUND: PAY

LRT are now about to begin negotiations with London Underground staff on this year's pay settlement, and have given me notice of the offer they intend to make on 13 April. This follows very closely the offers already made to BR and London Buses staff.

There are four main elements to LUL's offer:

(i) A basic rate increase of 4½ per cent with discretion to increase this to 5 per cent if necessary in negotiation;

(ii) A supplement to lowly paid guards designed to tackle recruitment and retention problems which have been a major factor behind the recent poor performance on the Northern Line;

(iii) A 10 per cent increase in London allowance from 1 July;

(iv) Specific increases to buy out the inflexibility which exists between booking clerks and railmen at stations. With the advent of the new Underground ticketing system the gains to be made from being able to interchange these two groups should make these payments self-financing. These payments will not have much impact until early 1989.

The effect on LUL's wage bill will depend on the extent to which staff numbers are reduced. A firm view on this must await the outcome of the Kings Cross Investigation. However, if only a 1 per cent reduction is achieved - less than previously planned - the wage bill would only increase by about 4½ per cent.

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CC(88)

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
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NBPM
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LUL do have recruitment problems; and action, particularly on staff shortages on the Northern Line, is clearly necessary. Moreover, in view of the close parallels with BR and LBL, I do not think that we can credibly argue that LRT's proposals are excessive, and I am not therefore proposing to intervene.

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

PAUL CHANNON

10 DOWNING STREET

Note for File

No further action necessary at this stage on Mr. Clarke's proposals for purchase of Local Authority bus companies — overtaken by decision taken on the 1988-89 legislative programme.

RLC6

31/7

003/4211

CONFIDENTIAL

CC BG

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

11th March 1988

Dear Secretary of State,

LONDON BUSES: PAY

at top of file

Thank you for your letter of 7 March about the offer Sir Keith Bright is planning to make to platform staff and engineers.

I am content with an opening offer of 4½ per cent, and I accept that he should have flexibility to go up to 5 per cent provided that, as you say, the settlement would be accommodated within the budget agreed after last year's IFR and would be consistent with the revised objectives for Sir Keith Bright which we have agreed but not yet announced.

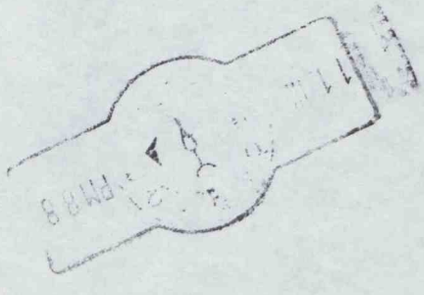
I am copying this letter to the Prime Minister, members of E(PSP) and Sir Robin Butler.

Yours sincerely,

JOHN MAJOR

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

TRANSPORT : London Regional Transport Part 2



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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

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

-7 MAR 1988

Dear John!

LONDON BUSES: PAY

This year's pay round for London Regional Transport employees is about to start. The first groups to settle are London Buses (LBL) staff, and Sir keith Bright has given me noice of the opening offer the company intend to make on 14 March.

LBL propose to make an opening offer of 4.5% to both the 14,000 platform staff (drivers and conductors) and 3,000 engineers. The associated package of productivity measures is estimated to reduce the real cost in a full year to 3.8%. The Union have put in a claim arguing that the recruitment and retention problem suffered by LBL demands substantial increases in basic pay (e.g. 20% for driver-operators and 12.5% for engineers) and a shorter working week.

There is no doubt that LBL have particular difficulties in recruiting and retaining staff: at present they are 580 short of their driver complement and, after natural wastage, will need to recruit some 3,000 drivers in the coming year. Sir Keith has asked for flexibility to negotiate up to 5% for both groups of staff if pressed. After allowing for productivity gains expected this year, such a settlement could be accommodated within the budget agreed after last year's IFR, and will more than meet the required unit cost reduction.

I recognise that this pay proposal is somewhat higher than we might wish for a public sector company preparing to meet increased competition for deregulation and facing privatisation thereafter. It is however a calculated approach designed to meet serious current problems in the staffing and effectiveness of LBL. I would hope

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that next year the formation of local subsidiaries will allow a concerted effort to introduce more pay differentials. In the meantime, LBL will of course continue to maintain local pay agreements for the units set up to operate routes won in competitive tender.

I propose, with your agreement, to give Sir Keith the authority to negotiate that he seeks.

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

Yours,

Paul

PAUL CHANNON

10 DOWNING STREET

Note

Spoke to R. Griffiths (DTp) and passed on the PM's reaction on the QL programme. Told him I would not be minuting it at this stage.

RRCG
1/3

C.F.

Pt. B/F 2 weeks.

RRCG
1/3

dti

the department for Enterprise

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

CONFIDENTIAL
The Rt Hon Paul Channon MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON SW1P 3EB

Department of Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5422
Our ref DC7ABM
Your ref
Date 26 February 1988

Dear Secretary of State,

PRIVATISATION OF LOCAL AUTHORITY BUS COMPANIES AND LONDON BUS DEREGULATION

I have seen copies of your minutes of 15 and 19 February to the Prime Minister setting out your proposls for privatising local authority bus companies and deregulating London's buses.

I welcome your proposals for requiring local authorities to dispose of their shareholdings in their public transport companies and particularly that the first criterion for any sale is that it should promote competition. However I question whether there should be specific powers, in addition to normal merger control, to prevent the companies being acquired by other private sector bus companies, particularly as this was not, I believe done for the NBC subsidiaries. Perhaps our officials could discuss this.

I also welcome your intention to restructure London Buses prior to privatisation. I should be glad in due course to see details of the various structural options you are considering. The competition criterion is clearly crucial to the success of deregulation. I hope that you will ensure a structure which produces a number of operators within the central area itself.

the Enterprise initiative

dti

the department for Enterprise

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On deregulation, though I understand your concern about traffic congestion, I am not convinced of the need for transitional licensing of bus routes in Central London. It is inevitable that continued licensing will obstruct competition by preventing more efficient operators from ousting the less efficient. If, as you propose, licences are granted automatically to existing services new applicants will be put at a clear disadvantage. I therefore strongly favour your alternative suggestion of abandoning licences altogether but strengthening the powers of the Traffic Commissioner to intervene to deal with congestion problems. I should be glad to see further details of how your scheme would operate.

I would also be interested to hear how LRT's proposed power to compel participation in concessionary fare schemes would operate. It would have been useful to have had more concrete evidence of how this had worked in the PTEs. It is undoubtedly an unsatisfactory aspect of bus deregulation but probably one which politically cannot be avoided.

It will be necessary to consider the competition implications of these policies, and in particular the impact of existing and planned Restrictive Trade Practices legislation on matters such as travelcard and concessionary fare schemes. I should therefore be grateful if my officials could be closely involved in this work.

I am copying this letter to the Prime Minister, other members of E(A), Douglas Hurd and Sir Robin Butler.

Yours sincerely

Stephen Ratcliffe

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

the enterprise initiative

TRANSPORT ; Lorda Regeail
Transport
Pt2

CONFIDENTIAL

PRIME MINISTER

26 February 1988

LONDON BUS DEREGULATION AND PRIVATISATION OF LOCAL AUTHORITY BUS COMPANIES

We fully support Paul Channon's proposals to round off the Government's successful policy of deregulating local bus services and privatising the public sector bus companies. Now that we can build on the solid success and experience gained outside London, there is no reason to treat London buses as a special case. Indeed, with the privatisation of the London Underground delayed in the aftermath of the Kings Cross fire, we should proceed apace.

Likewise, the privatisation of the local authority bus companies follows naturally from our success so far.

JOHN WYBREW

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PRIME MINISTER

LONDON BUS DEREGULATION

Mr. Channon is extremely keen to include legislation to effect London bus deregulation in 1988-89.

His minute and attached paper dated 15 February - Flag A - set out his detailed proposals. This has attracted support from the Financial Secretary - Flag B - who wishes to adopt the most radical option of ending local service licensing. The Home Secretary - Flag C - also supports the proposal.

You will want to consider your views on the merits of the policy proposal. But the immediate issue is whether there is room in the 1988-89 Legislative Programme. Mark has included separately in the weekend box a minute from the Lord President setting out the pressures on the Legislative Programme, and indicating his view that there is no room for London bus deregulation. Mr. Channon's minute to you and other members of E(A) is an attempt to get round the resistance he has been meeting in QL.

Mr. Channon feels strongly that legislation is necesary in 1988-89 if London buses are to be deregulated in this Parliament. He envisages implementation from 1990. One possibility would be to argue that implementation could be delayed until 1991, so enabling the legislation to slip to 1989-90. Mr. Channon's argument against that, which does not come through very clearly from his paper, is that there will inevitably be a period of uncertainty, and possibly disruption, on London streets in the few months after implementation, and it would be wise on electoral grounds to get that over and done with in 1990 and not store it up for 1991.

You should also be aware that Mr. Channon was pressing to extend this legislation bid to cover compulsory privatisation of local authority bus companies (see his minute of

19 February at Flag D). Since sending that minute he has however this week dropped his bid to extend the legislation in this way.

So the issue boils down to whether or not to legislate for London bus deregulation in 1988-89. You will presumably not want to respond to Mr. Channon until you have been able to discuss the overall Legislative Programme with the Lord President.

RRCB.

Paul Gray
26 February 1988

P.S. Policy Unit reaction also attached at E, and Lord Young's comments at F.

JA1BRC

CONFIDENTIAL

HOME SECRETARY

Prime Minister

LONDON BUS DEREGULATION

Paul Channon sent me a copy of his minute to you of 15 February, with his proposals for extending bus deregulation to London.

2. I support his proposals, but am glad that they recognise the potential difficulties posed by traffic congestion in London. We must be careful not to make even more difficult the job of the police in keeping London's traffic moving. I therefore welcome the options discussed in paragraphs 5 and 6 of the paper for E(A). Either of these would enable police views to be heard before new services were introduced, particularly in the central area. I agree with him that the second option (retaining licensing in central London on the basis set out in Annex B to the paper) would be the more effective answer to concerns about traffic congestion.

3. As the paper indicates, we will need to consult the police in the development of detailed provisions, once we have made our intentions public.

4. I am sending copies of this minute to the members of E(A) and to Sir Robin Butler.

M. Jawson

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

24 February 1988

~~LONDON R~~

TRANSPORT & London Passenger Transport Board

42/2.BTW.4372/36 **CONFIDENTIAL**

CoBG

FINANCIAL SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

23 February 1988

Dear Paul

LONDON BUS DEREGULATION AND PRIVATISATION

I was glad to see the E(A) paper covered by your minute of 15 February to the Prime Minister. I certainly agree with you that it is time to tackle the problems of bus transport in London. The existing burden of regulations does us no credit and I agree that the breakup and privatisation of London Buses Limited is a necessary complement to deregulation.

Under the present system the travelling public get a bad deal because in effect, apart from a few services at the margin, LRT dictates the structure of routes according to its own view of what commercial services should be provided and what services may be profitable. I have no doubt that there are very many opportunities for new commercial services which are being lost because the local service licensing regulations deny entry to new competitors. And I am quite sure that London Buses could provide better services at less cost if it were fragmented and sold piecemeal into private ownership in a more competitive environment. Of course this would also mean a better deal for the taxpayer through a lower requirement for unprofitable services and a lower subsidy bill to support them.

I very much hope, therefore, that space can be found in the 1988-89 programme for your Bill to provide for reform of the highly unsatisfactory arrangements which exist in London. I do have some points on the detail of your proposals, but I am sure these can be settled quickly later.

On the issue of congestion, there is a strong case for fully deregulating all of London and allowing the market to find its own level. A significant increase in bus traffic would not be sustained unless there were significantly more bus passengers, and the net effect of this could be to relieve congestion by reducing private car usage. Moreover, normal economic pressures could be expected to drive unsuccessful operators out of the market quite quickly, so although there might be an initial upsurge of bus traffic, we can be confident that this would soon settle down.

The risk of a carefully controlled increase in competition is that we could never be sure what we were missing if entry to the market had to be filtered and rationed. However well intentioned, the judgement of a Traffic Commissioner must be a very poor substitute for market forces.

I am, therefore, not persuaded of the case for retaining local service licensing in a central zone, and I think the burden of proof must attach to departing in London from the deregulated approach which we have applied elsewhere. I understand that your Department has done some modelling of the effects of increased bus traffic on journey times, and I would be interested to see the results.

I should also be grateful if you could let me know in a little more detail, how you would see the Traffic Commissioner's powers being exercised under your preferred approach. If the number of operators with services down one street or at the junction had to be restricted, how would a quota system operate? Would you be able to specify a minimum increase in the number of operators, or how else could we prevent the Commissioner from succumbing to the argument that congestion is already bad and more buses will make it worse?

If we did retain service licensing, I would see no reason to give LRT themselves powers to apply against granting licenses, at least for as long as LRT remained a proprietor of bus operators itself, which would be for over a year after deregulation in your timetable. We could not expect LRT both to promote new competition and to run commercial bus companies whose interest lay in maximising their own market share. I would have thought we could rely on the Police to be vigilant about congestion. I am not sure either that it would be right to give LRT automatic licenses for its existing radial and central routes - it would be more obviously fair to make it apply on the same basis as potential new entrants.

I am also uneasy about requiring LRT to promote Travelcards. Integrated ticketing is very popular, but I think this reflects not only the convenience of the Travelcard and Bus Passes, but also the large discount which they provide. Some discount makes sense because of the benefits of prepayment, of not having so much cash on board buses, and of allowing faster service with one-man operations, but I think the existing discounts go well beyond that, and this needs to be put right as part of the repricing over the next two years.

Beyond that, I do not think that we should strive to prevent private bus operators from producing integrated ticketing arrangements between themselves and with London Underground, provided of course, that these arrangements were consistent with competition law. But neither do I think that LRT should be proactive in encouraging such arrangements, which could not be free of the connotations of a price-fixing, revenue sharing cartel. And great care would be needed during the period from deregulation to completion of the LBL disposal programme, to ensure that the access of LBL subsidiaries to the Travelcard system did not give then an unfair advantage.

I hope that you will consider all of these points carefully, and that our officials can consider in more detail how to reflect both your concerns and those I set out above. But subject to these points, I fully support early legislation on this subject to allow you to meet our agreed objective of deregulation and privatisation in 1990.

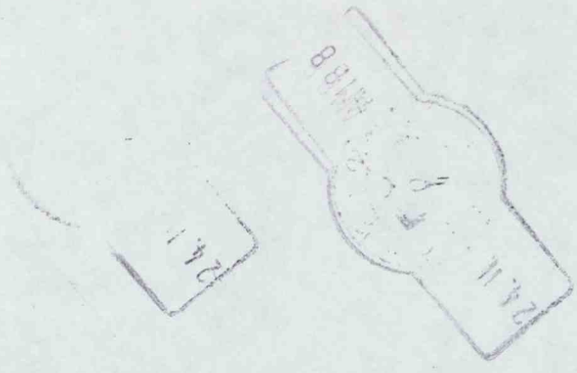
I am sending copies of this to the Prime Minister, the Lord President, the Home Secretary, E(A) colleagues and to Sir Robin Butler.

Yours ever

Norman

NORMAN LAMONT

TRANSPORT: London Regional Transport Part 2



CONFIDENTIAL

CC BG

cc BG (2nd copy)

Prime Minister

LONDON BUS DEREGULATION: PAPER FOR E(A) COMMITTEE

1. One of my bids for legislation in the 1988/89 session is a Bill to deregulate London bus services and to privatise London Regional Transport's bus operating company. I realise from John Wakeham's letter of 12 February that the pressures on our programme for the next Session are very great. But I shall be arguing that we must complete our important achievements for the bus industry by extending them to London. If we do not legislate in 1988/89, we shall miss the opportunity in this Parliament.

2. I am circulating herewith to colleagues on E(A), and to the Home Secretary, a paper outlining my proposals for London and seeking policy approval, subject to further discussion on the Legislative Programme. It has been suggested that the Paper should be taken in correspondence, but I would be glad to discuss it at a meeting if need be.

3. My proposals for the most part follow the arrangements already implemented successfully outside London. The only significant difference concerns traffic: I am clear that we must recognise the special nature of London's traffic problems. My Paper proposes two ways of doing this, and I have indicated which I prefer.

4. Copies of this go to members of E(A), to Douglas Hurd, and to Sir Robin Butler.

P.C.

PAUL CHANNON

15 February 1988

CONFIDENTIAL

CONFIDENTIAL

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

EA(88) COPY NO

1988

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC AFFAIRS

BUS DEREGULATION IN LONDON

Memorandum by the Secretary of State for Transport

---

1. We agreed in correspondence last July (my minute of 14 July ~~to~~ at flap to the Prime Minister) that I should ask Sir Keith Bright to have London Regional Transport (LRT) ready for bus deregulation in London by 1990. I warned at the time, as my predecessor had informed QL last year, that to make deregulation work we would need some additional provision and that to achieve the timetable proposed we will need this legislation in the next session.

2. I am sure it is right for us to go ahead with this major change. Deregulation outside London has worked well, bringing more services, greater efficiency and innovation. In London, we still have unsatisfactory bus services which are both costly and under-priced, in spite of the considerable progress made by Sir Keith Bright and his colleagues in recent years. To achieve the benefits of deregulation we have to set a clear date and stick to it. Weighing all the considerations together, the right target is August 1990.

3. Since QL will shortly be considering the composition of next session's programme, I invite my colleagues to consider the provisions that will be necessary to achieve deregulation satisfactorily. The detailed proposals are set out at Annex A.

Traffic Congestion

4. The severe congestion in Central London already makes bus services erratic, and there are naturally fears that deregulating bus services may make things worse all round. I have examined the problem with great care. Buses form only a small part (2-3%) of total London traffic. The extent to which deregulation brings extra buses into the very middle of London is likely to be limited by the fact that it is costly to run buses where traffic is congested. But Central London's traffic problems are unique, and we need to take account of the possibility of buses crowding into stops, and disrupting what is always going to be a very tight traffic situation.

5. The Transport Act 1985 already gives the Traffic Commissioner power to intervene to regulate stopping places or routes in particular locations, in order to avoid severe congestion or in the interests of safety. But he can only act on an application by the local authority concerned. I have concluded it will be better to strengthen these powers, so that he can act on his own initiative or on application by the police or by LRT.

6. It would be possible to go further that this and retain, for a transitiional period and for central London only, a licensing system for bus routes and stopping places; this would nonetheless be more liberal than the present licensing regime, because the grounds for refusing a licence would be restricted to traffic congestion and safety. Other parts of London would be deregulated, with the enhanced traffic powers already described. Such a scheme will create some awkward boundary problems, (e.g. for potential new radial services). But it would give even more reassurance to those worried about London traffic. Colleagues will want to consider the arguments. The extra provisions that would be needed are at Annex B. On balance I would favour this.

7. In either case my officials will need to discuss the details of the traffic proposals with the Police. I believe that the Police will on the whole welcome them.

Privatisation

8. Privatisation of London Buses (LBL) will need to follow deregulation otherwise it could not guarantee deregulation in the present Parliament. I envisage that LBL will first be broken up into a number of free-standing companies. I have existing powers of direction to bring these changes about, but they are not as clear and comprehensive as the provisions we made in the 1985 Act for the privatisation of the National Bus Company, which have worked well. It will be better to apply similar provisions to London. Disposals would start immediately after deregulation and could be completed within 12-18 months.

Concessionary fares

9. When we took over LRT, we made special provision to guarantee that the existing free travel scheme for the elderly and disabled could continue, and our supporters attach a lot of importance to that. However, these provisions depend on the bus operators being owned by LRT, and following deregulation and privatisation that will cease to be the case. I expect that the London Boroughs would anyway continue to operate the concessionary fares scheme but we could no longer guarantee that one or more might not withdraw. We run a high political risk if deregulation erodes the guarantee that we entrenched in 1984. We can take power in the legislation to avoid that risk.

Duties of LRT

10. LRT would need to continue in being, to administer bus service subsidies through the competitve tendering system, and to run the Underground. But LRT has a number of prime duties which are simply not compatible with deregulation. They are, for example, required to establish and publish "the general level and structure of fares" and a "general structure of routes". To reduce the risk of muddle and legal challenge, we need to remove these provisions, and to set out clearly the new function of LRT,

in relation to bus services, of inviting tenders for the provision of socially-needed services which the market does not supply. They would be placed under a duty to promote competition. They would continue to co-ordinate concessionary fares and passenger information.

11. LRT may have a continuing role as a clearing-house for travelcard schemes. These cards, which allow easy interchange between different operators, are greatly valued by travellers. There is no question of LRT being empowered to compel operators to participate; but equally I am sure it would be wrong to outlaw travelcards, especially as we have not done so in the provinces. It is open to the Office of Fair Trading to take action against travelcards if they consider them anti-competitive.

Financial implications

12. London Buses currently have an external financing requirement of some £120 million per annum. I forecast that real increases in fare levels of some 10% by 1990 may be necessary to bring them up to commercial levels so that 70-80% of services will be profitable, as elsewhere in the country. Together with the savings from the changes I propose, including competitive tendering for subsidy contracts, this should more than halve the overall subsidy requirement for buses in London. In addition there will be proceeds from the sale of LBL, the book value of whose fixed assets was £367 million at the end of 1986-87.

13. Deregulation in London will entail some 5 to 10 additional staff in the registration of bus services, and an addition to my gross running costs total will therefore be needed in 1990/91. The additional cost would be put on to the industry through fees and charges; and it may be possible for some of the non-discretionary work to be carried out by LRT rather than my Department.

Monitoring and evaluation

14. I would arrange for the Transport and Road Research Laboratory, with LRT, to monitor the impact of deregulation on services, fares, traffic, innovation and extent of competition.

Timetable

15. I would expect to announce our intention to deregulate in 1990 and subsequently privatise LBL after our collective discussions in April on the legislative programme. I would issue a consultation document to local authorities, user groups,and other interested parties at that time.

16. I invite my colleagues

i. to confirm that we should plan to deregulate bus services in London by 1990;

ii. to approve the proposals as set out in this paper on which we shall need to legislate; and specifically

iii. to consider whether we should have an interim regulated regime in the centre of London; and

iv. to agree the timetable I propose.

February 1988

ANNEX A

LONDON BUS DEREGULATION: OUTLINE OF PRINCIPAL PROPOSALS

1. LRT's FUNCTIONS

- removal of overall planning duties (eg fixing fares and service levels);

- removal of powers to operate buses;

- duty not to inhibit competition;

- power to promote travelcard schemes;

- power to provide overall information for passengers (eg timetables).

2. ENHANCED PROVISIONS FOR TRAFFIC REGULATION

- extend list of bodies who may request traffic commissioner to impose traffic regulation conditions on bus services;

- if necessary make special provision for central area: see Annex B.

3. CONCESSIONARY FARES

- continued powers for London Boroughs to establish and fund concessionary fares scheme for elderly and disabled, and for LRT to administer it;

- rights of operators to participate in the scheme, and power of LRT to compel participation (on model of deregulation outside London);

- fall-back reserve scheme (in case Boroughs fail to agree on common scheme) to be reestablished on present lines, for circumstances of deregulation;

- individual Boroughs to have discretionary powers to 'top up' common scheme;

4. SUBSIDY ARRANGEMENTS

- LRT to be subsidising authority, within policy guidelines and financial limits set by Secretary of State, and in consultation with Boroughs.

5. RESTRUCTURING AND PRIVATISATION OF LRT's BUS OPERATIONS

- Provision to follow precedent for National Bus Company, including;

  - preparation by LRT of disposal programme, for approval by Secretary of State;

  - duties placed on LRT to promote fair and sustained competition, to have regard to proceeds, and to facilitate employee buy-outs.

NOTE: abolition of present route licensing controls (with transitional provisions) can be achieved by Order under Transport Act 1985.

ANNEX B

POSSIBLE MEASURES FOR CONTINUED BUS SERVICE LICENSING IN CENTRAL LONDON

- Provide for continuation of local service licensing in central London area;

- Licence applications to be decided by traffic commissioner as at present; but in future only grounds of refusal are to be traffic congestion or road safety (ie constraints based only on traffic considerations; less wide than at present);

- bus services which crossed boundary would have to apply for licence in central area; but the part of the route outside that area would only be subject to registration requirements, as for any deregulated service;

- existing bus services in central area would be granted licence automatically;

- boundary of central area to be defined by order (to allow for alteration in the light of experience).

CONFIDENTIAL

NOT FOR NAO EYES

cc BG

MINISTER
FOR PUBLIC TRANSPORT

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

My ref M/PSO/15081/87

Your ref

NBPM

Lord Young of Graffham
Secretary of State for Trade
and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

23 DEC 1987

Dear David,

LONDON UNDERGROUND: MMC REFERENCE UNDER SECTION 11 OF THE COMPETITION ACT 1980

Thank you for your letter of 11 December agreeing that the London Underground section 11 inquiry scheduled for January should be deferred until the middle of 1988.

You suggest that a reference of BR's Provincial sector should be made early in 1988, to take LUL's vacated slot. This raises issues of timing and substance.

On timing, a reference in February or March, as you contemplate, would give BR management (and MMC themselves) very little time to prepare, and would come at a time when the Board has not yet completed its response to the Commission's report on the NSE re-reference. I think that industries can reasonably expect to be given more than a few weeks' notice of a major reference, and that we are much more likely to obtain a useful report if both BR and the MMC are given adequate time to prepare. I do not therefore consider that a reference of Provincial would be practicable until at least the second quarter of 1988, if not later.

On substance, my officials have already indicated to yours that, in principle, Paul Channon and I would be prepared to contemplate the inclusion of BR Provincial in the 1988 programme of references, provided colleagues appreciate the considerable political and presentational risks that would be involved. The MMC will certainly be critical of the large losses incurred by the sector, and of the lack of progress on bus substitution; they may well raise awkward questions about the justification for Government subsidy, as they did in their report on the NSE re-reference, and as exemplified in recent cases; and an announcement of a reference

might be seen by our opponents as an attack on the size of the network particularly in Scotland and Wales. However, provided colleagues recognise and accept these risks, I see no overriding difficulties in announcing our intention to refer BR Provincial during 1988. So I do not think it would be prudent to commit ourselves to a reference of Provincial until colleagues have had an opportunity to consider the political and other implications of involving the MMC in a scrutiny which will inevitably extend to Government policy; and there has been some collective consideration of the 1988 programme of references. I gather that so far Provincial is the only potential candidate for 1988.

I am sending copies of this letter to the Prime Minister, E(NI) colleagues, Peter Walker, and to Sir Robert Armstrong.

Yours ever

David

DAVID MITCHELL

TRANSPORT : LRT pt 2

CONFIDENTIAL

NOT FOR NAO EYES

cc BG

MINISTER
FOR PUBLIC TRANSPORT

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

My ref. M/PSO/15081/87

Your ref.

NBPM

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Secretary of State for Trade
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I am sending copies of this letter to the Prime Minister, E(NI) colleagues, Peter Walker, and to Sir Robert Armstrong.

Yours ever

David

DAVID MITCHELL

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

11 December 1987

David Mitchell Esq MP
Minister for Public Transport
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

Copies to:

PS/Chancellor
PS/PUSS(CCA)
Sir Brian Hayes
Mr Liesner
Mr Treadgold Hd/GP
Mr Armstrong Hd/GP5
Mrs Neale on file

Dear David,

LONDON UNDERGROUND: MMC REFERENCE UNDER S11 OF THE COMPETITION ACT 1980

Thank you for your letter of 2 December seeking my agreement to defer the London Underground S11 inquiry scheduled for January until the middle of 1988.

I had anticipated that some delay would be inevitable in view of the formal investigation initiated after the King's Cross fire and the need for senior managers within the organisation to service that inquiry and to respond to its findings. My officials are already arranging with Department of Energy to bring forward the Coal Board inquiry and I am content for London Underground to be re-scheduled for the summer. However, this means that there will then be a vacant slot in the programme of references in February/March and if possible I think we should try to identify a replacement candidate.

Although British Rail's Network South-East has been scrutinized by the MMC twice the rest of their operational network has not so far been investigated. With three inquiries having already centred on the efficiency of the capital's public transport systems (two on British Rail and one on London Buses) and a fourth (London Underground) projected I think that a reference covering the provincial BR Network would be justified both in terms of the size and resources used by BR and in the wider interests of the travelling public. If the Underground reference is to be considerably delayed, as now seems inevitable, I hope you could

DW3DBB

agree to putting forward British Rail's provincial services for scrutiny in the early Spring and for the Underground to be carried forward into the 1988 programme.

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

LORD YOUNG OF GRAFFHAM

DW3DBB

TRANSPORT : UCT PTR

CONFIDENTIAL

file MJ2BLC

bc: BS

10 DOWNING STREET

LONDON SW1A 2AA

11 December 1987

From the Private Secretary

NEW OBJECTIVES FOR LRT

The Prime Minister has seen your Secretary of State's letter to the Chief Secretary of 10 December about new objectives for LRT which suggested that a letter should now be sent to Sir Keith Bright setting out interim financial objectives.

The Prime Minister believes that to send a letter in this way, implying that the report of the investigation into the King's Cross fire could lead to a change in LRT's plans and programmes, might be used against the Government to argue that the accident would not have happened if the financial constraints imposed by the Government had been looser. She believes it would be better to leave publication of the objectives until later and sees no points in publishing those agreed in different circumstances.

I am copying this letter to Steven Wood (Lord Privy Seal's Office) and Jill Rutter (Chief Secretary's Office).

David Norgrove

Roy Griffins, Esq.,
Department of Transport.

CONFIDENTIAL

SRWBDN

CONFIDENTIAL

PRIME MINISTER

I should have thought it better to leave the objectives until later. I see no point in publishing those agreed under different circumstances

NEW OBJECTIVES FOR LRT

Paul Channon proposes to send a letter to London Regional Transport about their objectives, whilst making it clear that the King's Cross fire could have consequences for their plans and programmes which will not become clear until the report of the investigation is available next year.

The letter seems to me to run a risk of giving the impression that the Government will be prepared to allow LRT to amend its plans in the light of the report. That may well be the case. But to say so now could risk strengthening the case of those who say that the fire would not have happened if grants to LRT had not been cut.

I recommend you to say to Mr. Channon that you are concerned about this. It would be better not to send the letter if that could be avoided. But if the reasons really are compelling you would leave that to his judgment.

Agree?

DNW

(DAVID NORGROVE)
10 December 1987

CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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

10 DEC 1987

Dear John.

NEW OBJECTIVES FOR LRT

The course of events did not allow me to publish the new objectives for London Regional Transport that you and I had agreed, before the fire disaster at King's Cross. It is in any case imperative for me to say that financial objectives must be subject to review in the light of whatever recommendations emerge from the Investigation into the fire, when it reports in about July next year. But we still have a very difficult handling problem. We now have a highly-charged atmosphere in which many are seeking to suggest that safety standards on the Underground have been eroded because of tight financial constraints imposed by the Government. These suggestions are false, but whatever counter-arguments or caveats we were to enter now would not be heeded.

I am clear that to publish the letter as previously envisaged (necessarily accompanied by a Statement) would be widely misrepresented, and only serve to heighten the current controversy. We cannot go ahead with that now. Yet it is also very unattractive to leave LRT with no published objectives other than next year's EFL - and so with no public baseline against which any implications of the Investigation's report can be measured. Nor is anything gained by delay.

I have therefore concluded that the right course is for me to write now to Sir Keith Bright merely setting out the financial objectives that were agreed with him before the fire; I attach the text of the letter I would propose to send. I could properly inform Parliament of that by means of a written answer without, I think, any requirement to make a Statement. I would deal separately with the question of bus deregulation in London.

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It is imperative that we give no ground for charges that the matter has been delayed until the last day before the recess, or even into the recess. I must therefore write to Sir Keith Bright at the beginning of next week. I should be glad to know by 5.00 pm on Friday at the latest that you agree with this proposed way of handling the matter.

I am sending copies of this letter to the Prime Minister and to the Lord Privy Seal.

PAUL CHANNON

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Sir Keith Bright
Chairman
London Regional Transport
55 Broadway
LONDON
SW1H OBT.

INTERIM FINANCIAL OBJECTIVES

Your current medium term objectives apply until the end of the present financial year and we have been discussing a new set of objectives to take you forward to 1990. The tragic King's Cross Fire on 18 November could, however, have consequences for your plans and programmes which will not become clear until the report of the Investigation is available towards the middle of next year.

In these circumstances I thought it would be right to put on record briefly the main points on the financial objectives that we had agreed before the fire. You would set the Underground and bus businesses, and the Docklands Light Railway, financial targets on Profit and Loss Account. Their unit costs could be reduced by at least 3 % per annum; the Underground would reach break-even on this basis by the end of 1989-90, as would the Docklands Light Railway. The ancillary businesses would be expected to earn at least a 5% return on their turnover. The Group's trading loss would decrease from its present value of about £288m to £125m in 1989-90.

I shall write to you with a full statement of your revised objectives, when we have been able to study the report and recommendations of the Investigation. Meanwhile, your financial target for the year ahead is represented by the External Finance Limit of £221m which has been set for 1988-89.

PAUL CHANNON

019/3294

CONFIDENTIAL

CC BG

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

4 December 1987

Dear Paul,

LONDON UNDERGROUND PAY

NBM

Thank you for your letter of 18 November about the London Underground settlement. This is certainly a satisfactory outcome.

In his letter of 25 March to my predecessor, John Moore said that with a 4.5 per cent settlement, the Underground should be able to manage a 5 per cent reduction in unit costs. My officials have been in touch with yours and I understand that they now expect only a 4.5 per cent reduction this year. I hope it will be possible to improve on this next year.

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

Yours Ever,
John

JOHN MAJOR

TRANSPORT! LRT ! PE 2

cc: BG.

MINISTER
FOR PUBLIC TRANSPORT

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

My ref:

Your ref: 16pm

The Rt Hon Lord Young of Graffham
Secretary of State for
Trade and Industry
1-19 Victoria Street
LONDON
SW1

2 December 1987

Dear David,

LONDON UNDERGROUND: MMC REFERENCE

The agreed reference of the London Underground to the Monopolies and Mergers Commission, announced in September as part of the 1988 programme, was expected to begin towards the end of January next; our respective officials have been in touch about terms of reference. However, the recent fire at Kings Cross Underground Station makes it essential to review the timing of the reference.

As you will know, Paul Channon has announced the setting up of a formal Investigation under Mr Desmond Fennell OBE QC, and a team of Assessors has now been appointed. A preliminary hearing is being held before Mr Fennell on 2nd December to which any persons who were involved in the fire or who may have relevant information which they wish to be put before the Investigation have been invited, by Press advertisement. This will set the scene for the following stages which are not expected to get fully underway before the middle of January, and will probably last some four to six weeks. The conclusions of the formal Investigation will be made public and time will need to be given to following up its recommendations. Clearly, all of this will place a considerable burden on the management of the Underground, and will demand their utmost priority. I think it would be unreasonable to expect them to be able to field the MMC efficiency enquiry until Mr Fennell's work is complete and the necessary follow-up action is well in hand. This would seem to point to a mid-year reference for London Underground as being a realistic target.

I hope that in these circumstances, you will agree to defer the start of the Underground reference and will be able to rearrange the programme to accommodate this. Our officials can still progress the terms of reference, once the immediate pressures here are relieved. I am copying this to members of E(NI).

Yours ever

David

DAVID MITCHELL

2F

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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

18 NOV 1987

Dear John,

LONDON UNDERGROUND PAY

You will be pleased to know that London Underground have now concluded pay negotiations with their administrative, conciliation, supervisory and booking office staff who have accepted a settlement worth 4.5% on basic rates of pay, with effect from 13 April 1987, and also 4.5% on London Weighting, payable from 1 July 1987. I think you will agree this is welcome news. The settlement, which is without conditions, is within the ceiling which my predecessor agreed with yours, and is below last year's figure of 5.2%. It is also in line with the settlement reached by British Rail.

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

Yours,
Paul

PAUL CHANNON

CONFIDENTIAL

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aBG
BI

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

14 September 1987

Dear Roy,

LONDON REGIONAL TRANSPORT FARES

The Prime Minister has seen your letter to me of 11 September about the proposed announcement this week of higher fares by London Regional Transport. The Prime Minister hopes that the increase can be closely linked to the fact that the success of the Underground had led to serious overcrowding and demands for additional investment, to which it is right that the fare-payer should contribute.

I am copying this letter to Alex Allan (H.M. Treasury), Tim Walker (Department of Trade and Industry) and Trevor Woolley (Cabinet Office).

Yours,

David.

David Norgrove

Roy Griffins, Esq.,
Department of Transport.

CONFIDENTIAL

CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

David Norgrove Esq
Private Secretary
10 Downing Street
LONDON SW1

Prime Minister cc BC

DCS
11/9.

11 SEP 1987

Dear David

LONDON REGIONAL TRANSPORT : FARES

My Secretary of State thought that the Prime Minister would want to know about the fare increases that London Regional Transport are proposing to announce next week for introduction next January, particularly as they are somewhat larger than in recent years. Sir Keith Bright intends to recommend to his Board next week increases averaging about 9½% in cash terms.

Since 1984, LRT have interpreted fairly strictly the objective to keep fares broadly in line with inflation. This has stabilised the structure of LRT fares after the previous turmoil under the GLC. Demand for bus services has steadied after years of decline, while there has been a surge of growth in Underground patronage.

It would however lead to increasing problems if LRT were to continue to feel obliged to link fares strictly with inflation and the intention is to remove this constraint in the Chairman's new objectives. With the prospect of deregulating bus services in 1990, there is evidence that LRT's subsidised fares are now some 15% too low in real terms to secure adequate competition. It would seen sensible, as LRT propose, to bring fares steadily up to market levels in the run-up to deregulation.

I hope this increase can be limited to 5%

The success on the Underground has already led to serious overcrowding and demands for additional investment to improve the capacity of the system. It is right that the farepayer should contribute to these costs.

There will of course be some adverse reaction to increases of the order Sir Keith Bright is proposing. But my Secretary of State believes he has a very strong and persuasive case. Apart from the need to finance extra investment, there is plenty of evidence that fare levels in London are simply too low. Even after next January's proposed increase LRT fares will be at roughly their 1980 level whereas average London salaries will be more than 20% up. In addition the popularity of the Travelcard has greatly increased the amount of travel at little or no marginal cost to the passenger.

CONFIDENTIAL

Equally important in this context is LRT's major success in improving efficiency. By the end of this year unit costs should have decreased overall by 15% since 1984 and the Chairman's new objectives will require a continued unit cost reduction of at least 3½% per annum. So even with the proposed fare increases no-one will be able to argue that the huge reduction in revenue support, from a subsidy of £190m in 1984/85 to a positive contribution of £10m forecast for 1988/89, will have been achieved at the expense of the farepaying passenger.

Finally, the public is now being offered a manifestly better product as a result of increased investment in modernising and streamlining London's transport system.

A decision on fares is required now because of the time it take LRT to prepare for and implement the detailed changes; and past experience demonstrates that any significant delay between the Board decision and an announcement leads inevitably to damaging leaks. Sir Keith Bright therefore intends to make an announcement soon after the Board meeting on 17 September.

I am copying this letter to Alex Allan at Treasury, Tim Walker at DTI and Trevor Woolley at Cabinet Office.

Yours sincerely

Roy Griffins

R J GRIFFINS
Private Secretary

16pm CCBC

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

The Rt Hon Paul Channon MP
Secretary of State
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

17 August 1987

Dear Paul

LRT AND THE NEW LOCAL GOVERNMENT FINANCE SYSTEM

Thank you for your letter of 31 July on this subject.

I agree that the approach you suggest - which reflects the fact that public transport is not a local government service in London - is far more logical and straightforward than trying to replicate the existing arrangements. Your proposals will allow us to ensure that the community charge for spending at need in London is the same as the figure elsewhere without the complexity of notional contributions and offsets, and the odd results these have produced in practice.

As you know, our aim is to have the Bill ready for introduction in the autumn. I hope, therefore, that your officials will have Instructions to Counsel prepared by the end of August.

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

Yours ever

Nicholas

NICHOLAS RIDLEY

100% RECYCLED PAPER

TRANSPORT — LRT

PT2.

010/3298

CC BG

n 6pm

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Paul Channon MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

14 August 1987

Dear Secretary of State,

LRT AND THE NEW LOCAL GOVERNMENT FINANCE REGIME

Thank you for sending me a copy of your letter of 31 July to Nicholas Ridley.

The reality is that LRT's expenditure is controlled by central Government through the External Finance Limits agreed between us, and, for the reasons you give, the levy does not in fact place any burden on London ratepayers, and would not do so under the new regime. I therefore agree with you that the best course would be to abolish the levy.

You suggested that there should be a transfer between Votes to take account of the levy's abolition. I agree that the quantum of grant to local authorities will need to be reduced by the full cost of the present notional public transport GRE for LRT. But as your Vote already carried LRT's full revenue deficit and receipts from the levy are paid direct in to the Consolidated Fund, I do not think that an addition to your Vote is necessary.

I am sending a copy of this letter to the Prime Minister, E(LF) members, and to Sir Robert Armstrong.

Yours sincerely

Max Fellstead

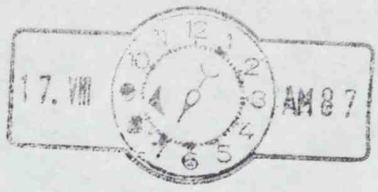
pp JOHN MAJOR

(Approved by the Chief Secretary and signed in his absence.)

TRANSPORT

LRT

PTR



cc BG

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Prime Minister (2)
MES 7/8

Mark Addison Esq
Private Secretary
10 Downing Street
LONDON SW1

Dear Mark

7 AUG 1987

LONDON BUSES INDUSTRIAL ACTION

In the Secretary of State's absence today I should report the likelihood of further industrial action by London Buses Ltd (LBL) staff against the principle of bus route tendering by London Regional Transport and revised wages and conditions for LBL staff operating services won in tendering in the Norbiton area. The TGWU have called for a 24-hour stoppage of LBL services, but so far have not confirmed a date. LBL however believe that it will take place on Monday 10 August.

The TGWU's action follows the failure of their High Court action last month which challenged LBL's establishment of the Norbiton operation with new employment contracts for existing staff. The Union ballotted LBL members seeking agreement to further action; about half voted, out of those who did the majority was 3:1 in favour. Norbiton staff have been on all-out strike since Wednesday and staff at LBL's other garages are taking buses off the road this afternoon in order to hold meetings to discuss the strike call.

If a fleetwide strike goes ahead on Monday, LBL expect it to be well supported so we doubt that many buses would run in London. There is no evidence of sympathy action on the Underground or BR. We have considered whether suspension of parking restrictions would be appropriate, but since the dispute is likely to be confined to one mode of transport for one day, we shall limit action to monitoring the situation in liaison with the Metropolitan Police. LBL will be briefing the London media, so public information about the possible strike should be adequate.

I am copying this letter to private secretaries to members of Cabinet, the Attorney General, the Chief Whip's in both Houses and to Sir Robert Armstrong.

Yours

Jenny McCusker

JENNY McCUSKER
Private Secretary

010

CC 8G

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
2 Marsham Street
LONDON SW1

31 JUL 1987

Dear Nicky,

LRT AND THE NEW LOCAL GOVERNMENT FINANCE REGIME

I have been considering how to adapt the arrangements for public transport in London to the requirements of the new local government finance system.

As you know, support for LRT is paid by the Exchequer. However, I make a special ratepayer levy covering up to two-thirds of the support so that Londoners can be made directly aware of the costs of the service. We then give a block grant offset to cover this burden on ratepayers but by some quirks in the GRE formulae, that offset tends to be greater than the levy. Furthermore, the grant offset can be used by London Boroughs to finance extra spending.

To continue to levy a charge on non-domestic ratepayers will run counter to the new national non-domestic rate. If I levy on community charge payers in place of domestic ratepayers we will have to retain the notional GRE for public transport support in London in the new block grant system. This will perpetuate the unsatisfactory grant offset, which amounts to taking with one hand and giving back more with the other. As a community charge levy equivalent to the yield of the existing levy on domestic ratepayers would only raise 25% of the exchequer grant costs, the game is clearly not worth the candle.

I therefore propose to abolish the LRT ratepayer levy. The effect on the Exchequer will be broadly neutral (since both the levy and the extra block grant will be eliminated), though there will need to be a transfer from your votes to mine. In legislative terms, the drafting requirement should be small: a matter of repealing sections 13 and 14 of the London Regional Transport Act 1984 on the introduction of the community charge.

Assuming you agree, I am asking my officials to make a start on the necessary instructions to Counsel.

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

Yours Paul

PAUL CHANNON

CONFIDENTIAL

LPO

bc BG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

20 July 1987

Dear Roy,

BUS DE-REGULATION IN LONDON

The Prime Minister has seen your Secretary of State's minute of 14 July about new objectives for Sir Keith Bright for his next period as Chairman of London Regional Transport.

The Prime Minister is content with what is proposed, subject to the views of colleagues. However, she believes that your Secretary of State and the Department of Transport will need to take a very substantial role in the restructuring of LRT's existing bus interests which will be necessary as part of the process for preparing them to operate as private sector businesses within a liberalised framework. The lesson of the restructuring of the National Bus Company was that management if left to themselves may not give enough weight to the interests of consumers. The success of the privatisation is partly the result of intervention by Government, and the Prime Minister hopes that the Department will take as large a role in the restructuring of London Regional Transport.

I am copying this letter to the Private Secretaries to the other members of Cabinet and to Trevor Woolley (Cabinet Office).

Yours,

David

DAVID NORGROVE

Roy Griffins, Esq.,
Department of Transport.

CONFIDENTIAL

EA

Prime Minister!
Agree to write as proposed?
pp please.
ACS 17/7.

PRIME MINISTER

15 July 1987

Yes ok

BUS DE-REGULATION IN LONDON

Two of London's more distinctive features are the black taxi and the big red bus. The former, based on private enterprise within a sensible regulatory framework, is the envy of the world. The latter is distinctive, but is not providing Londoners with good service or value for money.

London Transport's monopoly bus service has been driven not by the market but the supplier and the transport planner. LRT and the planners have unquestioningly regarded the big bus as the most efficient way of moving large numbers of passengers through London's congested streets. The efficiency of the big bus is a myth - thanks to the power of the bus unions to extort uncompetitive wages and conditions from a monopoly LRT. In struggling to contain wage costs, LRT has switched increasingly to single manning of its big buses, but this slows them down even more, contributes to traffic congestion and leads to the frequent bunching of buses on the same route.

We need to liberalise the provision of London bus services, encourage enterprising new entrants bringing with them new technology and ideas - all within a framework which provides a sensible degree of cohesion. There will still be a place for the big red bus at one end of the spectrum. In the middle, the minibus will make a valuable contribution and beyond that there is considerable untapped potential for shared taxi services and the like.

Conclusion

Paul Channon is right to press for the deregulation of London's bus services aiming at a target date of 1990. There are two tasks:

- creating a framework which fosters competition and enterprise whilst ensuring sufficient cohesion and standards of service;

- restructuring LRT's existing bus interests to operate as private sector businesses in the liberalised framework, and ensuring a smooth transition.

Paul Channon appears to see primary responsibility for the former as resting on the Government and the latter on Keith Bright and his management team. Keith Bright's participation is essential, but LRT must not be given a free hand in the restructuring of London Buses Ltd. If Robert Brooke and his co-directors had had their way in the restructuring of the National Bus Company, bus deregulation outside London would not have been appreciably less successful. The onus is on Paul Channon to ensure that the interests of the consumer are given top priority.

JOHN WYBREW

Prime Minister

BUS DEREGULATION IN LONDON

1. I need to give Sir Keith Bright new objectives for his next period as Chairman of London Regional Transport (LRT), which runs for three years from 1 September next. He has done very well indeed on the objectives set to him in 1984, and I am discussing with the Chief Secretary demanding new financial targets for the next period.

2. I also need to give him a clear aim on bus deregulation. It is our clear policy to extend to London the deregulation which has in general worked so well in the rest of the country, in cutting costs and stimulating innovation. There were transitional difficulties in the bigger cities. These were perhaps due to insufficient preparation. They may also have been due to limited competition because we did not have time to split up the very big bus companies owned by the Passenger Transport Authorities.

3. We must give ourselves sufficient time in London. London Buses Limited will have to be divided into smaller units. I expect that they will find it necessary to recast entirely the way the services are run, so that there would no longer be very long bus routes winding from one side of London to the other. It will be very much better if that happens before deregulation. So they will need to make a vigorous start. LRT will have to work up arrangements for subsidising socially needed services, and to handle sales of bus companies. We for our part will have to study whether any special arrangements are needed for the popular Travelcard scheme, and whether there are any special problems of traffic congestion.

4. We took powers in the Transport Act 1985 to extend deregulation to London by order. But as my predecessor informed QL earlier this year, to make deregulation work, we shall need some additional provision to break up London Buses Limited, and settle the basis of privatisation; and to do away with present monopolistic powers and duties of LRT. QL decided not to include this Bill in this Session's programme, but we shall need to take it next Session if we are to achieve deregulation in London in this Parliament.

5. I therefore propose to say to Sir Keith Bright in the letter setting his new objectives (which would be published) that he should aim to have his organisation ready for bus deregulation by 1990. That is in fact the earliest that could be managed, assuming a Bill next session. The wording I propose would not irrevocably commit us, but it would start LRT working to a clear target now.

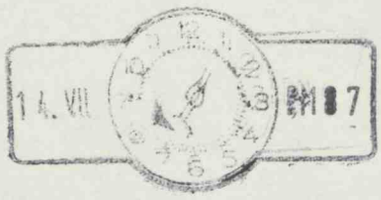
6. I shall be glad to know that you agree with this course. I am copying this minute to other members of the Cabinet and to Sir Robert Armstrong.

P. C.

PAUL CHANNON

14 JUL 1987

Transport: London Regional Trans. PTJ



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CCBG

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

David Norgrove Esq
Private Secretary
10 Downing Street
LONDON SW1

Prime Minister 2

15 May 1987

DRV
15/5.

Dear David

top one.

LONDON BUSES DISPUTE OVER TENDERING

Further to my letter of 8 May, I should report that the threatened further industrial action by London Buses Limited (LBL) staff on Monday 18 May, reported in the press yesterday and today, will almost certainly not take place. The TGWU have today confirmed to LBL that they have suspended further action pending more Union discussions on Wednesday or Thursday next week.

Following the 24-hour stoppage on 11 May, Sir Keith Bright met TGWU representatives on 13 May. The Union again pressed for a breathing space on tendering, and particularly a halt to implementation of Kingston area tenders already won by LBL on the basis of establishing a local operating subsidiary with local pay and conditions. Sir Keith reaffirmed that tendering was a statutory obligation and decisions on the Kingston routes, having been announced, had to go ahead.

The TGWU, incensed by LRT's and LBL's intention to press ahead, threatened further industrial action. That immediate threat has been withdrawn. Another meeting between the two sides has been fixed for 28 May. I shall of course keep you in touch with any developments.

I am copying this letter to private secretaries to Cabinet colleagues, the Attorney General, the Chief Whips in both Houses and to Sir Robert Armstrong.

Yours sincerely

Roy Griffins

R J GRIFFINS
Private Secretary

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CONFIDENTIAL

CCBG

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Prime Minister 2

David Norgrove Esq
Private Secretary
10 Downing Street
LONDON SW1

8 MAY 1987

Dear David

top enclosure

LONDON BUSES DISPUTE OVER TENDERING

Further to my Secretary of State's minute of 7 May, I should report that we are advised by London Regional Transport that they expect a total stoppage of services operated by London Buses on Monday 11 May. No night buses are expected to operate on Sunday night and the garage engineers are taking strike action for 24 hours from 6 am on Monday, with possible repercussions for the extent of services early on Tuesday 12 May. There is no evidence of sympathy stoppages planned for the Underground or the railways.

No formal notification has been given by the TGWU and London Buses Limited find it difficult to estimate the precise extent of compliance with the strike call. But in view of the majority secured by the union in their ballot on tendering, we doubt that many buses will run in London on Monday.

We have considered whether to suspend parking restrictions but since the dispute is confined to one mode of transport for one day, we shall limit action to careful monitoring of the situation. The Metropolitan Police are in direct touch with LRT about the likely effects of the strike on traffic.

LRT have been briefing the London media about the strike, so public information should be adequate. London Buses' divisional offices are also warning schools in their areas.

I am copying this to private secretaries of Cabinet colleagues, the Attorney General, the Chief Whip's in both Houses and to Sir Robert Armstrong.

Yours sincerely
Roy Griffins

R J GRIFFINS
Private Secretary

CONFIDENTIAL

TRANS: LRT pt 2

CONFIDENTIAL

CG/BG

Prime Minister 2.

Prime Minister

LONDON BUSES DISPUTE OVER TENDERING

You should know that there is a growing threat of industrial action which could affect London Regional Transport's bus services in the next few weeks.

In accordance with their statutory duty and the objectives we have given the Chairman, London Regional Transport have been progressively putting bus routes in London out to tender. The exposure of London Buses Limited to competition is an essential element of our policy for securing efficiency and cost reductions. London Buses have been steadily losing routes and have had to retrench. They are now establishing local operating subsidiaries with locally determined pay and conditions as a means of winning and retaining routes. This policy is bitterly opposed by the TGWU.

Following lightning strikes last month at four garages directly affected by these route tendering plans in the Kingston, Harrow, Woolwich and Bexleyheath areas, the TGWU balloted all London Buses members on 24 April on opposing LRT's tendering policy. The result was 9:1 in favour of industrial action (a 64% majority if non-voters are taken into account).

Following the ballot result, the TGWU have pressed Sir Keith Bright to call a halt to further tendering to allow a breathing space for discussions on LRT's tendering policy and London Buses' approach to winning tenders. Sir Keith Bright has reaffirmed that competitive tendering is a statutory obligation and that route tendering plans already announced must go ahead. At a meeting between the two sides on 5 May the Union took a particularly uncompromising stance on this

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issue. It seems likely that some industrial action will result. The Union have apparently discussed what form such action should take (there have been press reports suggesting a 24-hour strike in the next 10 days) but they have not communicated their intentions to LRT or London Buses. It is not clear whether the ballot gives an adequate mandate for an all-out longer term strike.

I shall, of course, keep you and colleagues in touch with developments.

I am copying this minute to Cabinet colleagues, to the Attorney General and the Chief Whips of both Houses, and to Sir Robert Armstrong.

JOHN MOORE

7 May 1987

003/1282

CCBC

CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Moore MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

31st March 1987

WRBM.

Dear John,

LRT PAY: LONDON UNDERGROUND

Thank you for your letter of 25 March.

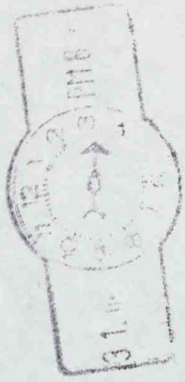
I am grateful to you for keeping me in touch with these negotiations and I am content for LRT to negotiate up to a limit of 4.5 per cent if absolutely necessary to achieve a settlement.

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

Yours ever,

JOHN MacGREGOR

TRANSPORT : LRT PT2



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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

25 MAR 1987

Dear John.

LRT PAY : LONDON UNDERGROUND

Thank you for your letter of 18 March agreeing to London Buses' pay proposals.

I have now heard that London Underground intend to make an opening offer to their 14,000 railway operating staff of 4%. This is in line with the opening offer from British Rail.

Given the general level of pay settlements and the current level of inflation, Sir Keith Bright has told me that he does not feel he could reasonably go below 4% without unacceptable effects on recruitment - an area where the Underground are already experiencing difficulties. As with the LBL offer, Sir Keith has asked for freedom to move up to 4.5% if absolutely necessary. But he hopes to settle below that.

Within a pay settlement of 4.5% the Underground should be able to achieve a further 5% reduction in unit costs in 1987/88. In these circumstances I propose to agree to the opening offer of 4%, with further offers up to 4.5% if absolutely necessary to secure a settlement.

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

JOHN MOORE

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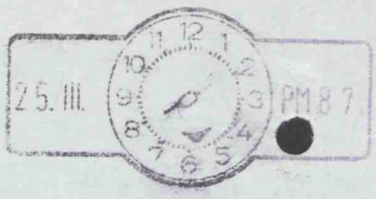
Transport: LRT Pt 2



003/3294

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CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Moore MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

12th March 1987

Dear John,

LONDON BUSES: PAY

Thank you for your letter of 9 March.

I am content for LRT to negotiate up to a limit of 4.5 per cent if this will secure a settlement. I welcome the fact that further productivity improvements will offset part of the cost, although I recognise that there will be difficulties with the bus unions.

These improvements are necessary if LRT are still to achieve a real unit cost reduction of 2½ per cent a year and I agree with you that LRT must improve the competitive position of their bus operations. As Nigel Lawson said in his letter of 10 March to Paul Channon, the establishment of the local subsidiary companies with varied pay and conditions is an encouraging response to this lack of competitiveness. As usual I would appreciate being kept informed of the progress of these negotiations.

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

Yours ever,

JOHN MacGREGOR

TRANSPORT: LRT; PE 2

010

CCBG

CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

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

March 4.87.

Dear John.

NRPM.

LONDON BUSES : PAY

The new pay round for London Regional Transport employees is about to start. Sir Keith Bright has given me notice that London Buses intend to make an opening offer to their 16,000 platform staff of 3.5%. This will be linked to a package of productivity measures which build upon those secured last year and will include scheduling changes and more flexible working practices. The proposed productivity package will eventually be worth about 2% to London Buses, although its full benefit will not work through for another 2 years. In addition, substantial further reductions in manpower are planned, including some 800 platform staff as a result of the progressive introduction of one person operation.

I have impressed on Sir Keith the importance of seeking to settle this year below the level of inflation, and have suggested to him that this applies particularly strongly to London Buses who face strong competitive pressures because their costs, although decreasing quite rapidly, are still too high. Sir Keith accepts this but has concluded that, given the general level of pay settlements and the current level of inflation any offer at a level less than 3.5% would be counter-productive. He has asked for freedom to move up to 4.5% if this proves necessary.

I have no doubt that London Buses will have a difficult time with the bus unions, and in particular will have a battle to secure their agreement to the new proposed productivity measures. In the circumstances I think an opening 3.5% offer is reasonable and I propose to agree to it on the firm understanding that any settlement should be associated with real improvements in productivity. At the same time I would tell him that he should only be prepared to increase the offer, within a limit of 4.5%, if absolutely necessary to secure a settlement.

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

JOHN MOORE

010

CYBG

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Prime Minister 2
For information.

David Norgrove Esq
Private Secretary
10 Downing Street
LONDON
SW1

13 January 1987

15/1

Dear David,

INDUSTRIAL ACTION ON THE LONDON UNDERGROUND

As you will know, the NUR announced yesterday their decision to call off their threatened strike action for 14 January. The decision followed a 5-hour session of talks on 12 January which were devoted primarily to discussion about procedures for consultation and negotiation and not about specific issues. At the end of the meeting, the management issued an agreed statement as follows:-

> " London Underground reaffirms its commitment to abide by the agreed machinery of negotiations and its spirit and intention on the understanding that the Trade Unions do likewise. The parties pledge themselves to progress all relevant items through the machinery at the appropriate level. London Underground also confirm to the Trade Unions that it is bound by LRT's policy, in relation to the machinery, as stated by Sir Keith Bright in his letter dated 9 January 1987 to the General Secretary of the NUR."

The letter from Sir Keith Bright referred to had stressed LRT's desire to develop an efficient organisation but had emphasised LRT's commitment to using the fully agreed procedures to discuss with the workforce proposals for change.

The NUR have described the outcome as a "victory". But my Secretary of State feels that they have gained no advantage by their action; on the contrary, that they have damaged their credibility by inventing a non-existent dispute and by deceiving their own members by calling prematurely for specific industrial action.

Strictly speaking, the NUR have only "suspended" their action. This may be partly to avoid the impression of a climb-down, though other Unions - particularly ASLEF - were showing little support for the NUR's strike call. But the Union's mandate for strike action may still hold good if action were initiated by Monday 19 January, so LRT are anxious to handle matters carefully.

The next step is the long-arranged consultative meeting between LRT and the unions which takes place on 16 January. We will keep you informed of any significant developments.

I am copying this to the Private Secretaries to all members of the Cabinet and to the Attorney General, to Murdo Maclean and Rhodri Walters, and to Trevor Woolley (Cabinet Office).

Yours,
Richard.

R A ALLAN
Private Secretary

CCBG

Prime Minister 2
For information.
DRN
9/1

Prime Minister

with DRN?

INDUSTRIAL ACTION ON THE LONDON UNDERGROUND

In my note to you of yesterday I reported that a meeting between LRT and the NUR Executive had been arranged following the NUR's call for a one-day strike on the Underground on 14 January. That meeting took place yesterday evening.

The NUR pressed their allegations that agreed consultative procedures were not being followed by LRT's management on the implementation of their efficiency plans, and that in any event these plans involved unacceptable consequences for their members in terms of pay and employment. LRT, while denying these allegations, responded that the Union itself was failing to honour agreed procedures by calling for strike action at a time when there was no formal dispute between the two sides. I understand that the three-hour meeting covered a lot of ground fairly constructively, but that LRT were not able to secure any commitment from the Union to call off its threatened industrial action while further talks were held.

The management are following up yesterday's meeting with letters today to Jimmy Knapp from both Sir Keith Bright as Chairman of LRT and from Dr Tony Ridley as head of London Underground Ltd, with a detailed confirmation of the management's position, including reassurance about procedures. In his letter Keith Bright, on behalf of LRT, says he is prepared to arrange discussions on the current pay proposals for LRT's caterers (some of whom are NUR members) within the agreed negotiating machinery. This is significant since the NUR have been using the example of proposed reductions

in caterers' pay as an indication of the likely effect on the pay of Underground workers. The letters repeat the demand for the strike to be called off, and say that the Underground management stand ready to agree to a very early meeting with the rail Unions. It remains to be seen whether the Unions respond to this before next Wednesday's threatened action.

I am copying this minute as before to Cabinet colleagues, to the Attorney General and the Chief Whips of both Houses, and to Sir Robert Armstrong.

R.A. Allan
(Private Secretary)

for JOHN MOORE

9 January 1987

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

CONFIDENTIAL

PRIME MINISTER

Prime Minister 2
For information.
DHS
8/1

INDUSTRIAL ACTION ON THE LONDON UNDERGROUND

As you will already know, the NUR Executive Committee have called a one-day strike on the London Underground for next Wednesday 14 January and an overtime ban from Monday 19 January, following a ballot of their 13,000 members employed by LRT. The strike call follows a campaign in which the NUR have alleged that jobs will be lost and wages cut as a result of the management's current plans for increased automation and more contracting out of services.

For their part LRT say they have made it clear both to the Union and to every member of staff in recent weeks that automation, in the form of One Person Operation of trains and the new Underground ticketing system, should not entail compulsory redundancies; that there are no proposals for cutting Underground wages; and that much of the programme of work planned to be put out to competitive tender could continue to be carried out within the organisation provided sensible efficiency measures can be agreed.

LRT believe that few NUR members were expecting a response to the ballot result in the form of an immediate strike call. Indeed this is in breach of agreed procedures between NUR and management and reflects the strongly left wing composition in the present NUR Executive. LRT believe that the strike may be far from fully supported. Indeed they hope that some level of service on the Underground will be possible on 14 January.

CONFIDENTIAL

The Police will apply their regular drill on 14 January designed to deal with heavier flows of traffic and will brief the Press and traffic broadcasters. There are contingency plans ready if disruption becomes prolonged.

I shall be considering the line to take when I answer Oral Questions in the House on Monday 12 January. In the meantime I shall if necessary emphasise that this dispute is a matter for management and Union; but that I can see no basis for a strike and would hope very much that the Underground workforce will not take any action which would jeopardise the recent outstanding success of the Underground in serving the travelling public by disrupting the journeys of millions of passengers for no apparent reason.

At the Union's request, Jimmy Knapp and some of his colleagues are meeting Sir Keith Bright this afternoon. LRT do not expect this to affect the decision to strike. I will of course keep you and colleagues informed of developments.

I am copying this to Cabinet colleagues, to the Attorney General and the Chief Whips of both Houses, and to Sir Robert Armstrong.

JOHN MOORE

8 January 1987

10 DOWNING STREET

DRN, Will Thanks. Duncan.

Transport phoned re LRT Ballot:

Result expected c. 1400 - Expect 'yes' vote to a general question on whether NUR members at LRT are prepared to oppose the current threat to pay and conditions and prepared to take strike action — a 'yes' vote does not imply immediate strike action but would be a negotiating lever.

The Unions are particularly worried about the practice of inviting outside tenders for engineering work and the (unfounded) rumours of £50 per week pay cuts.

Points to Make

① The detailed issues are matters for management but we understand some of the wilder accusations eg re pay cuts are without foundation

② Tubes are doing better than ever (a tribute to management + staff cooperation) - passenger journeys up 50% 1982 to 1986

③ Management are reducing costs - LRT Unit costs down 11% since 84/85

④ Investment in LRT highest ever this year - recently approved £45m for new trains and £135m for new "tube" ticketing system.

GiY
6/1

CC BG

PRIME MINISTER

Prime Minister 2 DW.
For information.
DRN
12/12

LONDON BUSES PAY DISPUTE

You will want to know that, since I last reported to you on the subject on 24 November, London Regional Transport have successfully resolved the industrial dispute with their garage engineers which had threatened a strike on London's buses.

The semi-skilled and unskilled engineers represented by the TGWU last week voted by a narrow margin to accept the final offer of a 5% basic pay award linked to improved productivity and changed working practices. As a result of this and the uncompromising stand taken by the management of London Buses Limited, the minority of garage craftsmen who had earlier voted to reject the final pay offer took a further vote and decisively accepted the same offer. The work-to-rule and overtime ban which had been disrupting bus services have been called off.

I think the management of LRT are to be congratulated on their handling of this dispute, in which they have shown both skill and firmness.

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

JM.

JOHN MOORE

11 December 1986

JM6.10

TRANSPORT : LRT NOV 83

PART 1 ends:-

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

PART 2 begins:-

SSI Transport to PM 11/12/86.

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