



DEPARTMENT OF TRANSPORT
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The Rt Hon Margaret Thatcher MP

22 December 1982

Dea Margaret

FIVE-YEAR FORWARD LOOK

In response to your letter of 16 September I am submitting my report on a "forward look" at my Department's programmes for the next five years.

We have already taken some major steps:

- National Freight Company Limited privatised
- Express bus services deregulated
- virtually all motorway service areas sold
- design of motorway and trunk road schemes transferred to the private sector
- more competitive tendering for local road works

We have action immediately in hand now to:

- privatise British Transport Docks Board
- privatise heavy goods vehicle and bus testing
- privatise British Rail hotels
- contain subsidies to public transport in London and other metropolitan areas, and open the way to more private sector operators

In the next Parliament we should:

- tackle the major issues of railway policy, following the Serpell report
- set up a new structure for public transport in London and push ahead with the break-up of the large public transport monolith here and in other cities
- introduce private capital into the National Bus Company
- sweep away unnecessary barriers to innovations in rural transport
- bring the ports to stand on their own feet, and tackle the National Dock Labour Scheme.

Throughout the period we must maintain and if possible increase the level of worthwhile investment in roads to meet growing demand. In particular, we should:

- complete the national motorway and trunk road network to satisfactory standards as quickly as possible
- keep up the momentum in building by-passes to take heavy traffic away from communities

These aims will require a commitment of capital funds through the 1980s, with private finance, if possible, providing a source of additional money.

PERSONAL AND CONFIDENTIAL

/ I attach a more detailed report.

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

Yours
Dew

DAVID HOWELL

PERSONAL AND CONFIDENTIAL

C O N F I D E N T I A LFIVE-YEAR FORWARD LOOK

1. We start with a freer market for transport than in any comparable advanced country. The fulfilment of our main Manifesto commitments in transport - the privatisation of the NFC and the relaxation of bus licensing - has opened transport services up further to market disciplines and private initiative. But much more can and should be done. I place particular emphasis on freeing private enterprise to provide services to the public and on sustaining and encouraging British private sector firms in home and export transport markets.

2. Transport problems are all too apparent to the public. They see the problems as: traffic congestion and delays; the difficulty of finding a place to park, the disturbance and danger caused by traffic, especially lorries; high fares on unsatisfactory public transport; fast disappearing bus services, especially in the countryside; and a heavily subsidised railway apparently not run very efficiently and still not putting the customer first.

3. By the best international standards our transport has many failings. People travel abroad and are impressed by the best of what they see. Their expectations are raised, and we are judged by the failure to match the best standards achieved elsewhere. These contrasting standards cannot be wholly explained by our lower levels of public expenditure. Much of our public transport is inefficient and unresponsive to customers. Much of it is provided by public sector monopolies which are slow to adjust and too little concerned with cutting costs. Too much is spent on subsidies with no clear purpose but to prop up existing services on outmoded labour practices and on so-called cheap fares, at the direct expense of investment to improve transport facilities and cut costs. These trends must be, and are now being, reversed.

THE PROSPECT

4. In the last thirty years car travel and lorry transport

have increased rapidly and consistently. Both are wholly private sector activities, now that the NFC has been sold off. Both have made major contributions to economic growth, individual freedom and standards of living. Both create difficult but not insuperable problems of adjustment for society.

5. Car ownership and use will increase probably well into the next century. And when the economy revives, road haulage - on which most UK manufacturing industry is wholly dependent for transport - will expand substantially. So the demand for road space is going to exceed the supply, even more than at present. Already the public is impatient with the noise and pollution which traffic - all traffic - not just lorries - brings to high streets and residential areas. Their concern for the environment and the quality of life is likely to grow.

While using their cars more, people will also increasingly expect a high quality, reliable public transport service to be always on hand. So it will become even more difficult to contain public expenditure support on these services. The financing of the railways will be a major continuing problem.

THE NATIONAL ROAD NETWORK

6. The demand for more road space is clearly there and people are willing to pay for more. We have to see that this demand can be met. So during the next Parliament we must certainly carry forward our plans to complete the national motorway and trunk network and keep it up to standard. We shall then at last have the complete modern main road system which the Conservative Government initiated in the mid-fifties. But we have also to look beyond this commitment, to consider how we can best meet the needs of further traffic growth - in cities as well as between cities. We shall have to provide the roads needed by industry and commerce and do more to get heavy traffic away from people.

7. I believe we will be able to justify a small increase in the total road programme in the mid - 1980s, though we shall

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have to see whether this is physically practicable. This increase will have to be accommodated within total transport public expenditure. Indeed, pressures on public expenditure could prevent us achieving the completion of the road programme as fast as we ought. So it is important to try to find a way of involving private finance in road construction. If our present efforts are successful, they will come to fruition over the next year or so. Thereafter they might provide a source of additional funds which could - and must be made to be seen to - speed up the road programme. The "royalty" approach is the simplest way forward here. Tolls are opposed by the general public and the motoring organisations; would require controversial legislation; and would divert traffic on to other less suitable roads, where it would cause more disturbance and accidents.

8. A good level of investment is needed to sustain our private sector road construction firms and consultants. At the same time, we must see that they get a better share of the available work. Wherever costs can be cut, private firms should take over the work, whether it be for central government or local authorities. We have already handed over the design and supervision of the construction of new trunk roads to private consultants, and reduced to £50,000 the level at which local authorities must go out to tender. In the light of experience, this figure may be further reduced. The next task is to look at the possibility of private firms taking over more supervision of road reconstruction and maintenance, though this is less straightforward than with new construction; and to consider whether we can cut costs by replacing our agency agreement with local authorities - under which they look after trunk roads in their areas - by arrangements with private firms.

PUBLIC TRANSPORT

9. Private enterprise can also help to improve public transport. We came into office with a clear commitment to reform bus licensing. This commitment was honoured in the Transport Act 1980, which began a process of breaking down barriers and opening up opportunities for small enterprises and voluntary effort.

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There are some further steps which should be taken.

NATIONAL BUS COMPANY

10. There is now a good prospect of introducing private capital into the National Bus Company as a whole. This would be a more radical alternative to present plans to privatise the property, Express coach and holiday divisions. This possibility can be actively examined over the next year with the aim of introducing a Bill early in the next session. Expenditure and public sector manpower implications should be beneficial.

BUS LICENSING

11. We must aim, in the light of experience with the 1980 Act, for a further relaxation in bus licensing. The freeing of long distance coach services from unnecessary regulations has been one of our great successes, with lower fares, and more and higher quality services. We should widen the definition of unregulated express coach services, at present limited to services where passengers are set down after a minimum journey of 30 miles. Experience with local bus services so far has been less encouraging. One possibility is the initiation by me, rather than the counties, of the process of designating "trial areas" where the normal licensing of services by the Traffic Commissioners is superseded. More significant and extensive trial areas could then be set up and a serious challenge made to receive orthodoxy. Bus deregulation can open up opportunities for small businesses and entrepreneurs.

12. The pace of deregulation will need careful controlling. Almost all those concerned with buses, including our own supporters in the rural areas, which would certainly feel a major impact, would strongly oppose complete, sudden deregulation. So while there is no doubt about the desirability of change in this direction the best course is to go for steady erosion of the present controls.

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RURAL TRANSPORT

13. Transport in rural areas is of great importance to our supporters. Private cars will continue to meet most transport needs in the countryside, without intervention by Government. But conventional bus services are fast disappearing, and we need to be seen to be taking action to encourage mobility at an acceptable cost. We can do this by making better use of existing resources eg by allowing more general public access to health, social services and school transport and encouraging transfer from those specialised sources to ordinary public transport where this makes good sense; and by positively encouraging the development of more economic alternatives to the traditional stage bus. So we should clear away unnecessary restrictions on minibuses and taxi and hire cars (though the latter is at the moment a Home Office responsibility). The objective should be the minimum quality controls necessary for safety and protection of the public. These measures - which could also help in urban areas - would simplify life greatly for small private businesses and voluntary bodies, and could be introduced early in the next Parliament. Voluntary and self-help groups are already very active in this area, and we should encourage them as much as possible. Expenditure and manpower implications would be slight.

RAILWAYS

14. A big task through the next Parliament will be to shape the national railway to our future needs, under a new BR Chairman, and to encourage initiative and enterprise in the provision of rail services. The Serpell Report will give us the basis for considering the directions of our policy and how we should develop it. We may need to think about providing buses instead of trains for certain services, and how to bring this about. Private companies may take over specific lines on the edges of the system. Many more support services must be contracted out. Stations and passenger facilities generally must be transformed. Better control of costs must make room for a higher level of worthwhile investment. This will certainly

have to be accompanied by new arrangements for strengthening the railway equipment industry by bringing private capital back into the manufacture of rolling stock.

URBAN TRANSPORT

15. The current Transport Bill will impose greater cost consciousness in urban public transport and increase the opportunities for competition to provide services in the cities. We must see to what extent they can be applied outside the conurbations. I am convinced that there can and should be further measures to open up the provision of public transport and get away from the pernicious belief - so prevalent in transport - that services for the public have to be provided by the public sector. In the next Parliament I want to see big changes in the public transport organisations we have inherited, through breaking undertakings down into smaller units; privatising bus services and ancilliary services; and experimenting with unconventional forms of public transport. Tendering by private operators to provide subsidised services is a promising way of getting private sector disciplines and cost advantages into this area.

LONDON

16. There is an urgent need to re-organise transport in London. I shall be bidding for legislation to bring about major structural change and simplification, with the present GLC/LTE shambles replaced by converting the London Transport Executive into a small Metropolitan Transport Authority for London, which could be in existence within about 2 years. We will also need to re-allocate local government responsibilities for roads and traffic management in London, following up the report of the House of Commons Select Committee on Transport. The sooner we make these changes, the sooner we shall be able to influence the switch of resources towards worthwhile transport investment.

ROADS IN CITIES

17. Coping with traffic and congestion in urban areas is probably going to be increasingly difficult. There are no agreed long-term urban road programmes. I am now examining the possibilities for relaxing controls and improving parking facilities, on-street and off-street, as well as improving enforcement. There is scope for privatising off-street car parking. It takes a long time to build up urban road programmes. We need to begin work now so that we can make progress in the next Parliament. So I am beginning a review of a 10 year major urban road programme for the conurbations. It is too early to say what the size of an economically and environmentally worthwhile urban road programme would be. We need to reduce the costs of urban road building and reduce its environmental impact.

18. There is the possibility of legislation to reform local government organisation in the Metropolitan Counties. Transport is the most significant of the Metropolitan Counties' present functions. In any reorganisation we must ensure maximum use of private sector resources and disciplines. Greater involvement of the private sector will probably be most practicable in the provision of bus services; we must break down the large, monolithic existing operators; and the structural changes must ensure that programmes for the major strategic roads in the conurbations are planned and executed.

PROTECTING PEOPLE FROM TRAFFIC

19. This is a major problem for cities, towns and villages. Disturbance from traffic comes high on the list of problems with which the electorate expects us to deal. We are already doing a great deal to meet it, particularly by building bypasses. The need for bypasses will continue, beyond the end of the present finite trunk road programme. In some places bypasses cannot do the trick. We have given increased emphasis to lorry routing; the new idea of lorry action areas; and making vehicles themselves less offensive. More initiatives are going to be needed. Urban road building can sometimes help. There

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is a big potential return for small schemes.

20. Our national record in road safety is generally good by international standards, but less so for pedestrians. I propose to set in hand a major review of road safety policy. It is too early to anticipate the initiatives I hope to develop from the review.

MEETING NEW REQUIREMENTS

21. Customer interests come before those of the operators. This applies particularly to groups such as commuters and to people who face transport difficulties which the public readily recognise deserve special treatment. People in sparsely populated areas fall into this category. So do disabled people. We have got into the unfortunate position in transport that central Government's instruments have become too blunt to influence the provision of services for these people, to signal the Government's concern about them, or to encourage innovation. There would be a big political return - and better transport on the ground - if we have a specific transport innovation programme with which we could be seen to be assisting transport projects, particularly those with an identifiable social purpose which involve the voluntary sector. We could also use it to encourage innovative services of potential value to all travellers. The cost could certainly be contained to, say, £5-£10 million a year.

PORTS

22. We have abolished the National Ports Council and should shortly privatise BTDB which will then become Associated British Ports PLC. London and Liverpool are being required to live without deficit grants as from 1983. This heavy pressure on the ports to stand on their own financial feet must be continued. It will require reform of the National Dock Labour Scheme. This is of central importance for better flexibility, efficiency and productivity in the ports. The industry itself - employers and unions - has already embarked on preliminary exploratory

talks. If these succeed, reform will require controversial legislation, which would be for the Secretary of State for Employment.

PUBLIC EXPENDITURE

23. Wasteful current expenditure must be further curbed so that, without increasing overall public expenditure, a greater proportion of resources is available for worthwhile capital expenditure. The roads programme must be vigorously maintained in the light of ever-growing traffic demand and the fact that motorists already pay for the provision of the roads several times over. It would be short-sighted and imprudent to look to the roads capital programme for major savings. Nor is it prudent to cut back significantly on maintenance; though in maintenance, as in construction, we must look for maximum efficiency gains. Most of my measures are aimed at achieving efficiency gains in public transport. They will help to ensure that a greater proportion of expenditure goes on sound investment, although the overall call on public funds is bound to remain heavy.

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Department of Transport

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