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DEPARTMENT OF TRANSPORT
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01-212 3434

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

11. June 1984

Dear Patrick

with AT.
I have seen a copy of your Private Secretary's letter dated 23 May to No 10 about cost savings from the abolition of the GLC and the metropolitan county councils.

As you know I expect the abolition of the metropolitan county councils to result in substantial savings in public transport revenue support. The six councils are budgeting to spend £267 million this year on revenue support, well over twice the level implicit in our public expenditure plans. I expect to be able to use my control over joint board precepts to reduce this expenditure very substantially.

In addition on the highways side, there is now substantial duplication of effort between the metropolitan districts and counties, and between the GLC and the London boroughs, and it seems certain that there will be significant savings among the 8,000 or so GLC and county council staff engaged on this work.

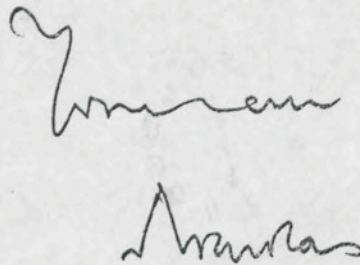
The Prime Minister's suggestion of adding a clause to the abolition Bill giving successor authorities the duty to put specified services out to tender is in line with my

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own proposals, recently accepted by colleagues, to make local authority powers to provide bus subsidies dependent upon their seeking competitive tenders. However, I accept your view that such measures should apply to all local authorities, and not just to those falling within the scope of the abolition legislation.

I am copying this letter to the Prime Minister and to the members of MISC 95.

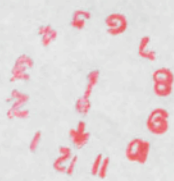
A handwritten signature in dark ink, appearing to read 'Nicholas Ridley', written in a cursive style.

NICHOLAS RIDLEY

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LOCAL GOVT: Relations

Pt 21



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

My ref:

Your ref:

The Rt Hon Mrs Margaret Thatcher MP
House of Commons
LONDON
SW1A 0AA

6 JUN 1984

R8

Dear Margaret

THE GLC'S PRESS ADVERTISEMENTS - "If the Government takes control of London Transport, it'll be back to square one."

I was saddened, but not surprised to see from the two-page spreads in the major daily newspapers of 29 and 30 May that the GLC are continuing to pour ratepayers' money into a campaign of political advertising aimed at the Government's plans to take control of London Transport back from the GLC. Since these latest press advertisements advise the public to write to their MPs, I thought you would find it helpful if I were to remind you of some of the points which the GLC have omitted to make.

Since the GLC took control of London Transport in 1970, LT's unit costs have gone up in real terms, by more than two thirds on the buses (twice as fast as elsewhere in the UK), and by more than 50% on the underground (five times faster than BR). Instead of working assiduously to halt this trend the GLC have poured ever more of the ratepayers' money into LT.

Subsidies have risen from £6½ million in 1970 to about £400 million in 1983 - a thirteenfold increase in real terms. And yet even this has not been enough to stop fares going up - by 23% in real terms on the buses and 36% on the underground. In the 3 years of the present GLC administration, revenue support alone has soared - from £86 million in 1981/82 to £190 million in 1984/85.

It is all very well for them to claim that their low fares policies have reduced commuter traffic and cut the number of accidents. Of course more people will use the buses if the fares are lower. The issue is one of costs and finance; it is an issue the GLC have consistently sought to hide or ignore.

And for them to claim that their "investment" in revenue support has "paid off" because LT yielded a so-called financial surplus of £36 million is patently absurd. This £36 million represents not a profit but a reduced loss; achieved by LT's own efforts to improve revenue and cut costs, often in the face of GLC opposition. The fact remains that even after deducting the so-called surplus the GLC paid £183 million in revenue support to LT in 1983/84 to cover their operating deficit.

Ever increasing revenue subsidies, the course on which the GLC is set, impose intolerable burdens on taxpayers and ratepayers and pre-empt resources for capital investment both to improve the quality of services and reduce their real cost to the travelling public. The Government has done its utmost to ensure that a generous level of capital resources is made available for necessary investment by LT, and fully supported it through Transport Supplementary Grant. For example, the amount of capital spending we approved in 1984/85 was no less than £174 million - an increase of 12% on the equivalent figure for 1983/84.

/ The GLC conclude by asking whether there is one good reason to take LT away from the GLC. I am enclosing a list of thirteen good reasons.

Yours ever

Lynda

MRS LYNDA CHALKER

13 GOOD REASONS FOR TAKING CONTROL OF
LONDON TRANSPORT AWAY FROM THE GLC

1. Public transport in London is, as the Select Committee on Transport made clear, a matter of national significance, and it is therefore entirely appropriate for the Secretary of State to assume responsibility.
2. Effective co-operation between London Transport and British Rail services in the London area will only work if they are brought under common policy and financial direction.
3. LT has been a political football of the GLC; this has made it impossible for them to plan on a stable basis.
4. LT's unit costs have gone up in real terms by more than two thirds on the buses and by more than 50% on the underground. The GLC have done little or nothing to reverse this trend.
5. Subsidies to LT have gone up from £6½ million in 1970, when the GLC took over, to about £400 million in 1983. This money has come out of the pockets of taxpayers and ratepayers.
6. The GLC's revenue support alone to LT has gone up from £86 million in 1981/82 to £190 million in 1984/85.
7. LT's bus engineering costs have more than doubled in real terms since 1970. The Monopolies and Mergers Commission's recent report found enormous scope for improvement. Yet the GLC are doing their best to delay the implementation by LT of necessary reforms.
8. The GLC are forcing LT to operate more bus miles than are needed to meet passenger demand.
9. The GLC have refused to let LT cut costs by extending one-person operation of buses.

10. LT must be allowed to achieve better value for money for traveller, ratepayer and taxpayer without detailed day-to-day political interference, manifested in the recent packing of LT's Board with GLC placemen.

11. Resources for the capital investment, which is the route to better quality services at lower real cost to the public, cannot be provided if they are pre-empted by soaring levels of revenue support.

12. LT must be encouraged to permit greater competition in the provision of transport services and to contract out more work to the private sector where the private sector can do it more cost-effectively.

13. LT must be encouraged to set up separate operating subsidiaries in order to secure better accountability and cost consciousness and an arm's-length relationship between service planners and service providers.