

CBA



DEPARTMENT OF TRANSPORT
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The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
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Prime Minister ²
JHR
30/5.

30 May 1986

Dear John.

PES 1986

You asked us to look at our programmes very carefully in the light of the Prime Minister's wish that we should give our closest attention to avoiding requests for additional bids. I have made this one of my first priorities and I have been helped in producing a prompt reply by the detailed appraisal which Nicholas Ridley had already made and with which I generally agree.

The Department has made good progress both in reducing expenditure in real terms - a reduction of 8 per cent between 1982-83 and 1986-87 with a further projected decrease of 4 per cent in the survey years - and in concentrating on productive capital investment rather than subsidies. I am sure that such investment in the roads programme in particular will continue to yield good economic and political returns. It is vitally important to the business sector, reducing transport costs, stimulating development and promoting trade and tourism; and we need to be seen to be meeting the needs of all road users who continue to grow in number and contribute an increasing tax yield to the Exchequer. In order to maintain the momentum of the programme, I have reluctantly concluded that I shall need some additional resources, and that these cannot be found from the other programmes under discussion in this part of the expenditure round.

A very important element now in the national and local road new construction programmes is the need to carry out schemes to meet the Channel Tunnel timetable, and to serve Stansted. I believe that the only way of allaying the concern of people in the areas affected in Kent and Essex is to show we are willing to provide the necessary infrastructure to serve these developments. But without an additional bid this would mean displacing other schemes.

The Channel Tunnel and Stansted related schemes come at a time when both national and local programmes are in any event under severe restraint. To illustrate this I have set out, in Annex 1

this letter, details of the national roads schemes which we shall be able to start in the survey years with our existing provision, and those which we would also be ready to start but would have to postpone because of lack of provision. You will see that the M20/A20 schemes to serve the Channel Tunnel come at a time in 1988-89 and 1989-90 when an unusual number of high priority, high spending schemes are due to start. Indeed, the M40 extension and A20/M20 schemes alone will take up 85 per cent of the amount available for new starts in 1988-89. Such a narrowly focussed programme would be criticised by industry and commerce and by local communities who would see their hopes of badly needed by-passes receding into the distant future. It might also put businesses at risk in the construction industry because of the limited number of tendering opportunities available.

In these circumstances, I am making a bid for new construction on national roads of £10 million in 1987-88, £20 million in 1988-89 and £30 million in 1989-90. This would enable me to add to the programme those schemes in column B of Annex 1. I should emphasise that it represents a drastic scaling down of the size of bid which would enable us to start all the schemes which are ready and would yield good economic and environmental benefits. This would require £40 million in 1987-88 and £100 million in each of the two later years. Nor does the bid include any provision for a third crossing at Dartford. If this has to be classified as a public sector project, I shall need an extra £25 million in 1988-89 and £35 million in 1989-90.

On the local authority part of the network the position is if anything even more critical. The 1987-88 baseline will leave room for only £2 million more for new starts than in 1986-87, which was £27 million lower than the year before. In 1986-87 we had to refuse 50 major schemes fully meeting our criteria (some of which are mentioned in Annex 2). At our present rate of progress nearly half the 550 towns and villages lacking bypasses will still be waiting for them by the year 2000.

For new construction on local roads, therefore, I regard additional provision of £12 million in 1987-88, £35 million in 1988-89 and £50 million in 1989-90 as a minimum defensible requirement. After accommodating the roads necessary to serve the Channel Tunnel and Stansted and encouraging greater provision of safety fences, as urged upon us by the Transport Committee, this would enable me to attempt next year some 10 extra schemes of the kind I have listed in Annex 2. The bid does not include provision for roads in London Docklands, which has been covered in the DOE bid and which I support. I should add that increased survey provision would need to be matched by a realistic amount of Transport Supplementary Grant if it is to be effective. I shall be writing to you about this following discussions between our officials.

The second main problem with both national and local roads concerns the maintenance and strengthening of bridges, of which we have about 10,000 on the national network and on the local network some 40,000 pre 1922 bridges together with nearly as many more recent structures. Nicholas Ridley warned you last year that the Department was beginning to get disturbing evidence of

deterioration, particularly in the older ones, resulting from corrosion and similar problems and from increased traffic, particularly heavy lorries. The full scale of the problem is now becoming clearer. It is one we cannot duck. If bridges become dangerous, they cannot be used and in that event the disruption can be enormously costly. Delay in tackling the problem can only make them more expensive to deal with later.

Our recent estimate is that the cost of remedial work on the older local bridges alone could amount to some £300 million in the next decade. However, we are not yet at the end of our investigations and in present circumstances, I consider that bids of £10, 15 and 20 million for national roads and £5, 10 and 15 million for local roads would be the minimum to ensure that we make an effective start in tackling the problem. The lower figure for local authorities is because I would expect them to treat some of the work as current expenditure.

A different set of problems is raised by the widespread public concern about the rapid decline in the level of the UK merchant fleet, exacerbated by flagging out. As you know, recent debates in both Houses of Parliament have shown that this concern is shared by Members of all Parties, notably amongst our own supporters. There are fears that, if present trends continue, we shall not be able to ensure that there are sufficient vessels and crews available for civil resupply in an emergency. I have, therefore, concluded that a scheme to assist the shipping industry is essential. My officials are urgently examining the options, and I shall be putting proposals to colleagues before the Summer Recess. Meanwhile, I am clear that any effective scheme is likely to cost in the order of at least £30 million a year, and that I am not in a position to find this kind of money within my existing survey provision.

Finally, as regards programme expenditure, I have not included anything in my bid for the potentially heavy liability for the cost of restructuring at the Port of London Authority (PLA) and the Mersey Docks and Harbour Company (MDHC). You may recall that in last year's round, Nicholas Ridley gave up ports provision for which there was no identified requirement on the understanding that if there were unforeseen costs of restructuring agreed by colleagues, you would be prepared to consider sympathetically some supplementary provision from the Reserve.

On manpower and running costs I believe, like my predecessor, that the right way of managing the fee-earning businesses is on a net cost basis of control. I understand that a detailed proposal for managing the driver test organisation will reach us shortly from our officials, for implementation in 1987-88. There is an awkward transitional problem about the fee receipts line because of incorrect assumptions made last year about cost increases and the flow of receipts from extra driver examiners. As a result, fee income was over-estimated. We have revised downwards the projections of receipts and costs for the fee-earning businesses, in line with latest demand forecasts. On a PES, cash-flow basis an adjustment is, I regret to say, unavoidable to balance the leads and lags in the flow of receipts. Thereafter, the aim must be to manage changes in demand, both up and down, within broadly neutral PES effects.

manpower, I firmly believe that we must continue to keep up the pressure on reducing civil service numbers (and costs). The Department's manpower target is planned to reduce by 325 (2%) by 1.4.88. In addition, in Driver and Vehicle Licensing (DVL), our manpower plans provide for the absorption of 2% annual growth in the volume of transactions equivalent to about another 100 staff.

Furthermore, there is the prospect of a reduction of some 250 driver examiners, which will be a useful further contribution to the Government's overall manpower target.

But I must register two qualifications about the target. First, there is a requirement for extra staff at DVL because of changing procedures for the prosecution of VED evasion cases. When the Crown Prosecution Service begins, the police will no longer be willing to prosecute and I understand that the Crown Prosecution Service is not prepared to take this on. This will mean new responsibilities for the Department from 1988-89 which cannot possibly be absorbed. It will entail a build-up to an extra 150 staff by the middle of the PES period, which should of course be matched by savings on police resources.

Second, I should like to defer from 1987-88 to 1988-89 some 50 of the savings which fall on the non-fee-earning parts of the Department where work is buoyant and productive, eg the roads programme and the Channel Fixed Link. Economies are planned which will require 1%-2% manpower savings. But the base for making further cuts is smaller now that the fee-earning parts of the Department are effectively ring-fenced. So, while I am determined that we shall achieve the manpower target, I hope you can agree to a slightly more gradual downward path.

On running costs, I can find no way of avoiding a small, additional bid. I share your views that running costs have to be kept in check. But the baseline for the non-fee-earning parts of DTp (Central) allows a per capita increase of under 1% for 1987-88. There is no practical scope for looking to Driver and Vehicle Licensing for offsetting resources. That baseline has to absorb the extra cost of restructuring the clerical grades and provide resources for a major IT cost-saving initiative. These are very proper pressures on managers. However, the combined effect of pressures from the pay settlement and other recent clerical initiatives on DTp(C) leaves me with no realistic option but to make a limited bid for running costs.

Finally, there are unavoidable bids for administrative capital. We plan to absorb the capital costs of the major IT investment in the DVL and fee-earning businesses which will provide a very significant pay-off. But there are other demands of a "spend-to-save" kind (eg electronic telephone exchanges) which we cannot find from savings. Also, you will not be surprised that I find it necessary to bid, under the new rules for paying for major new accommodation works. At present there is no PES provision for works which are necessary to reduce costs and increase efficiency.

I am afraid that I can offer only limited offsetting savings - £5 million for local ports and £7 million for local car parks - and even these could be difficult and controversial. In addition, I am prepared to absorb within my overall programme the extra cost

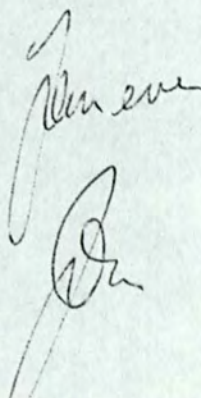
of increased royal travel and the refurbishment of the royal train.

In sum my bid is as follows:

	1987-88	1988-89	1989-90
<u>Additional Bids</u>			
National Roads			
- new construction	10	20	30
- bridges	10	15	20
Local Roads			
- new construction	12	35	50
- bridges	5	10	15
Shipping	30	30	30
Administration			
- running costs	8	12	13½
- capital	3½	2½	0
- shortfall in receipts	6	6	6½
<u>Offsetting savings</u>			
Local ports	5	5	5
Local car parks	7	7	7
<u>Net Bid</u>	72½	118½	153

While I very much regret having to make a bid for any extra resources, I should emphasise once again that I have scaled it down severely to what I believe is realistic in the circumstances and have concentrated it in the main on areas which give us good opportunities to take credit for new initiatives.

I am sending copies of this letter to the Prime Minister, the Lord President, the Secretary of State for the Environment, the Secretary of State for Scotland, and the Secretary of State for Wales, and to Sir Robert Armstrong.



JOHN MOORE

NATIONAL ROADS

	1987/88	1988/89	1989/90
(a) Within baseline (priority schemes)	M40 Warwick section M3 Bar End - Compton M63 Stretford - Eccles St 4 M3 Compton - Bassett A406 Gt Cambridge Road A406 Fallogen Way - Finchley High Road A361 North Devon Link Final Stage A5 Telford - Shrewsbury A42 Measham Ashby A43 Kettering N Bypass A43 Pear Tree Hill - Wendlebury	M20 Maidstone - Ashford A20 Folkestone - Dover A2 Improvements M40 Extension Gaydon to Banbury M42/M5 Catshill - Lydiate Ash	A303 Mere - Wincanton A303 Sparkford BP A46 Leicester Western BP A47 Norwich S BP A47 Gorleston Relief Road A40 Ealing Western Circus
(b) With extra bid of £10m - £20m - £30m	A27 Brighton BP A27 Pevensey BP A30 Blackwater inpt A30 Launceston-Plusha A35 Dorchester A46 Coventry E A69 Brampton A523 Macclesfield Inner Relief Road A66 Bowes - Country Boundary A46 Newark Relief Road A52 Bottesford BP A47 Acle BP A47 Castor and Ailsworth BP A47 Narborough BP A47 Eye BP A140 Dickleburgh BP	A42 Castle Donington A1 Bramham - Wetherby A406 Hanger Lane - Harrow Road A406 Chingford Rd - Hale End Rd A30 Okehampton - Lannceston	Urgent schemes delayed from earlier years, especially A30, A303, A41, A47 and possibly some sections of M1/A1 link.
(NPV return on schemes (a & b))	£1: £1.40	£1: £1.60	Expected to be at least £1: £1.60

NATIONAL ROADS (Continued)

	1987/88	1988/89	1989/90
(c) Cuts/schemes unlikely to start	<p>Cut in regional programme.</p> <p>Reduction in response on safety works/initiatives.</p> <p>Cut back in scheme preparation.</p> <p>NB M1/A1. If ready will have to be delayed or all of (b) starts will have to be delayed.</p>	<p>All remaining programmed new starts (40 schemes of which half are bypasses) include</p> <p>A41 Berkhamsted BP</p> <p>A41 Kings Langley BP</p> <p>A47 Thorney BP</p> <p>A47 Guyhirn Div</p> <p>A47 Walpole & St Johns BP</p> <p>A59 Burscough BP</p> <p>A21 Robertsbridge BP</p> <p>A30 Mitchell BP</p> <p>A30 Plusha - Bolventor</p> <p>A30 Summercourt BP</p> <p>A30 Zelah Impt</p> <p>A303 Ilchester - S Petherton</p> <p>A35 Charmouth</p> <p>A11 Newmarket - Red Lodge</p>	<p>A11 Four Wentways Junction</p> <p>A41 Aston Clinton BP</p> <p>A13 Wennington - Mar Dyke</p> <p>A16 Louth BP</p> <p>A6 Market Harborough</p> <p>A17 Leadenham BP</p> <p>A65 Addingham BP</p> <p>A65 Draughton BP</p> <p>A41 Chester Impt</p> <p>A417 Brockworth BP</p> <p>A23 Warninglid Flyover - Brighton</p> <p>A249 Iwade BP</p> <p>A259 Rye BP</p> <p>A3 Milford BP</p> <p>A21 Lamberhurst</p> <p>A140 Scole BP</p>
(NPV return on schemes (c))		£1: £1.70	Expected to be at least £1: £1.70

Examples of bypasses and relief road starts which could not be accepted for 1986/87

Ledbury	(Hereford & Worcester)
Dorchester Western	(Dorset)
Braintree & Rayne	(Essex)
Newcastle Under Lyme	(Staffordshire)
Foleshill-Hollbrooks	(Coventry)

Examples of bypasses and road starts which could not be accommodated in 1987/88 without the additional bid

Bicester	(Oxfordshire)
Guisborough	(Cleveland)
Baldock	(Hertfordshire)
Maldon	(Essex)
Burton-on-Trent	(Staffordshire)
Maidstone	(Kent)
Stratford	(Warwickshire)
Merton	(London)

