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DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

Prime Minister

Rt Hon Leon Brittan QC MP  
Chief Secretary  
HM Treasury  
Parliament Street  
LONDON SW1

MLs 13/4

12 April 1983

Dea Len

LONG TERM PUBLIC EXPENDITURE

*will request if required*

Thank you for your letter of 30 March which I have taken into account as far as I could in the time available in my response to the Prime Minister. I have however been reflecting on what you say and there appear to be some misunderstandings which I should like to clear up.

In looking at the longer term prospects for public expenditure, I believe that we should take a positive view of the priorities and search for ways of cutting back on the lower priority areas rather than simply go through a sterile process of setting out the disadvantages of cuts in each programme.

I have tried to identify reductions I would like to see in my own programmes, although it is only fair to point out that they will not be achieved quickly or easily and that there may be transitional costs. But any savings we can achieve will be needed to meet the growing demand for transport facilities.

It is a common fallacy to assume that the only growth industries are electronics, tele-communications, offshore equipment and so on. There has been a sustained increase in the transport sector, and there is every indication that it will continue. Since 1965, for example, personal transport has been increasing by 2.8% a year, compared with 1.6% for GDP.

The biggest increase has, of course, been in travel by car, which is related not only to economic growth but also to changing social habits. It is for this reason that I suggested a figure of 20% traffic growth even with low economic growth - the bottom of the range we use for assessment purposes assumes minimum values for social as well as economic factors, but I would regard this as quite unrealistic, even as a conservative assumption, as a basis for policy. We have one of the lowest rates of car ownership in the European Community and I would expect us to follow the trend set by our more affluent trading partners. A continuing increase in traffic, including freight traffic, which is closely aligned with the level of economic

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activity, will mean continued expenditure on maintaining and improving the road system, controlling traffic, testing drivers and vehicles, and providing other facilities.

The great bulk of transport expenditure is incurred by the private sector and whatever the Labour Party may intend to do we are certainly not going to stop people from using their own cars. But providing the infrastructure to meet this demand has always been a largely public sector function. We may be able to find ways of introducing more private provision, and I am pressing on with this, but the fact remains that for the foreseeable future, it is public authorities in one form or another which will have to meet the demand. In short, public expenditure on transport is demand-led and that means we cannot reduce the provision in real terms.

In your letter, you suggest that the completion of the major motorway and trunk road programme and of the first round of motorway renewal will give us some leeway. You also question the deterioration in road conditions. At the present rate of progress the motorway and trunk road programme will be completed in the mid-1990's. Reductions here would mean putting off the completion of badly needed and long-awaited by-passes until the end of the century. As the trunk road programme runs down, we shall have to shift resources to dealing with the problems of congestion in towns and suburban centres. Above all we must sooner or later face up to doing something about the total mess in London, for example in Earls Court, round the South Circular, and in East London. These must be some of the worst traffic conditions in the industrialised world and an enormous environmental blight with widespread social and political repercussions.

We are now catching up with a backlog of motorway renewal with a five year programme to deal with the worst 400 miles. But the motorway programme reached its peak in the early 1970's and a continuing renewal programme will be needed for these roads in the late 1980's. On all purpose roads we have tried to be as reassuring as possible about the results of the 1982 national road maintenance condition survey, but the fact is that there has been a significant deterioration in some classes of local roads in the last year or two. I now have a critical report on road maintenance from the Transport Select Committee recommending a 10% real terms increase in the provision for local roads.

I hope this explains why I believe it would be quite wrong to look at options for shifting resources away from growth and capital spending areas like transport. Moreover since our main concern is about the impact of growing public expenditure on the taxpayer, I should point out, unlike other programmes, we are concerned here with expenditure that has a corresponding growth impact on the revenue side. The services



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we supply to the public, such as driving tests, are fully covered by receipts, and the revenue returns from motor taxation will continue to outpace public expenditure on roads.

I am sending copies of this to the Prime Minister, the Lord President, the Secretaries of State for Scotland, Wales and the Environment, the Chancellor of the Duchy of Lancaster, and Sir Robert Armstrong.

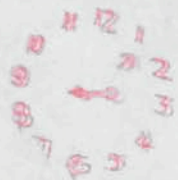
Yours  
David

David

DAVID HOWELL

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DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

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- PS/A Stanley  
PS/Low Bellin

The Rt Hon Leon Brittan QC, MP  
Chief Secretary to the Treasury  
HM Treasury  
Parliament Street  
SW1P 3AG

7 March 1983

Mr Pausford  
Mr Osborn

Dea Lem

Mr Owen  
C. L. Heise  
Mr Pithers  
CA. G. G. G.  
A. G. G.

PUBLIC EXPENDITURE 1983-4

I was concerned by your letter of 24 February. It is not enough to agree about the priority that should attach to capital spending - we must be ready to do what is needed to make that priority effective. And that I fear is just what we are not set up to do. Unintentionally or not, the outcome of present trends has been to depress seriously investment in the infrastructure. If we go on failing to get the level of investment the plans provide for, we shall eventually pay a heavy price, when the economy starts growing again at a reasonable rate. I had hoped therefore that you would be prepared to look rather more favourably on the limited kinds of action I proposed. They did take account of the reality that capital spending is not something that can be turned up quickly, when belatedly it is realised that the planned figures (themselves so far down on what used to be spent) are not being achieved.

I shall of course come back to you, if the shortfall I fear seems to be materialising.

I am sending copies of this letter to the recipients of yours.

Yours  
David

DAVID HOWELL

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