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cc N.O.

Prime Minister

PRIME MINISTER

*Amend
no.*

Following our discussion on Friday, I have amended the White Paper on Public Transport in London to reflect the points we agreed. In particular the revise brings out that the immediate task is to take over LT and to get it into its new structure, and at the same time to start eliminating overlap and duplication and to secure appropriate economies with British Rail.

I note that your Private Secretary's ^{at flap} letter mentions a Liaison Committee chaired by me, with representatives from the Authority, BR, LT, and the Department, and responsible for setting objectives and allocating subsidies. This is a much more formal version of what I clearly understood at the meeting, which was that I would take personal charge of ensuring that co-operation between LT and BR is improved and that the problems of overlap and duplication are urgently tackled.

This is what I propose, but under a more informal arrangement, since such an official Liaison Committee could clearly be represented as another quango.

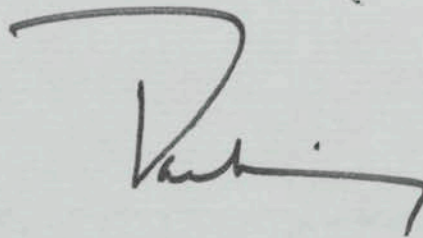
The other point that I have included in addition to those in Michael Scholar's letter is that there should be a limited life for any LRT responsibility for payments to BR. The second stage therefore involving payments to BR Commuter Services would be brought in only by Order, and the arrangement would automatically expire after say 5 years unless the period were extended by Parliament.

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You will also note that I have decided to drop the word 'Authority' and to call the new structure London Regional Transport.

If I could get clearance of this version by Wednesday lunch time I think we could still get it out by next Tuesday. I am sending a copy of this minute and the revised version to other members of the Cabinet to bring them up to date with the changes we have made; and to Sir Robert Armstrong.



TOM KING

19 July 1983

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PUBLIC TRANSPORT IN LONDON (Draft of 19 July 1983)

1. The organisation of London's public transport services needs major change. The arrangements established in the 1960s have not worked well. Shifts in political direction at County Hall have deprived London Transport of stability and the chance to plan on a proper long-term basis. The ^{public transport} system has become progressively shabbier. The services provided by the British Railways Board and by London Transport have received financial support from two quite separate sources, although in many cases they serve the same customers. And over the past two years, the users of London Transport have experienced in rapid succession dramatic cuts in fares, their doubling, then further cuts. The traveller and the ratepayer have had to pay for these experiments by the GLC and for the high costs of the bus and Underground services, which have risen steeply in real terms.

2. Pressure for change has built up over the years, but became overwhelming during and in the aftermath of the Greater London Council's "Fares Fair" policy. After many months taking detailed evidence, the House of Commons all-Party Select Committee on Transport in July 1982 published a report on "Transport in London". Their unanimous view was that the mechanisms for the political and financial control of London's public transport were inadequate.

3. They concluded that a better deal was needed for the consumer for the money available and that the responsibility for public transport in London should be transferred away from the Greater London Council to a wider "Metropolitan Transport Authority". The Government accept that the case for change is now compelling. They believe that new arrangements are needed to secure the cost-effective delivery of services from both the public and the private sector. This White Paper sets out the Government's proposals.

London's Problems

4. The quality and performance of public transport in a capital city, especially one the size of London, has a crucial part to play

in its general prosperity and the quality of people's lives. London is one of the largest areas of continuous urban development in Europe and one of the largest concentrations of urban population in the world. It is not only the centre of Government, but also the nation's centre of trade, commerce and tourism and the hub of the country's freight and passenger transport system.

5. As the Select Committee noted:

"The adequacy, or otherwise, of London's internal transport arrangements is therefore a matter of national, as well as local, importance. Quite apart from considerations of national pride, Britain cannot afford to allow the essential and vital functions of its commercial and transportation capital, and its seat of Government to be less than fully efficient. The rest of the country may well resent the cost, but cannot resist the logic, of the need for a determined national effort to relieve the crisis which faces London's transport system, and to ensure that standards of mobility and access at least begin to compare favourably with those in our other major conurbations and in major conurbations overseas." (Select Committee Report: paragraph 2.7).

6. The complexity of transport movements and requirements in London are on a scale quite different from anywhere else in Britain. The travel-to-work area spans over 100 miles, a large part of it densely built up. While most journeys take place by car - over 9 million trips in the area each day - public transport also plays a fundamental role. Every working day some 7 million journeys are made on London Transport and British Rail services in the London area, over half of them to and from work. London's Underground system, the largest of its kind in the world, caters for some 500 million journeys a year on a network of 240 route miles. The British Railways Board's London and South East sector handles over 400 million journeys a year, well over half of all British Rail passenger journeys, on a network of over 2000 route miles serving a population of 17 million. London Transport's bus operations cover more than 1,700 miles of road and cater for over 1,000 million journeys a year. London Country Bus Services provide bus and coach

travel for a further 25 million journeys annually within Greater London. And London's public transport system is particularly important for the tourists who make 125 million trips on it each year.

7. Since 1969 London Transport have been answerable to the Greater London Council, who have appointed the Executive, set the requirements and provided subsidies, partly from the rates and partly from the money made available from central Government through Rate Support Grant and Transport Supplementary Grant. The commuter services of British Rail on the other hand are provided by the British Railways Board as part of the Public Service Obligation (PSO) which covers the rail passenger system throughout Britain. Fares, the level and quality of services and investment priorities are determined by the British Railways Board within its financial duties and constraints. The Board is in turn accountable to the Secretary of State. The PSO grant which he determines after consultation with the British Railways Board currently includes some £280 million in respect of its London and South East services.

8. Between them, London Transport and British Rail's London and South East sector employ more than 100,000 staff and their combined costs in 1982 were some £1,550 million. These are very large businesses demanding highly competent management. They need clear objectives publicly stated. There must be close scrutiny of value for money obtained for the financial support they receive.

9. Effective management is particularly important at a time when public transport is facing the difficulties created by wider economic and social change. Total demand for public transport in London has been declining for the past thirty years. People and jobs have moved out of central London to the suburbs and beyond, causing a redistribution of travel demand for which the traditional networks of public transport services are imperfectly suited. Rising incomes have led to soaring growth in car-ownership, which in turn places great demands on the road system and has drastically cut the use of public transport. Between 1971 and 1981 the number of private cars and vans licensed in London rose by 15%, while

the population of Greater London fell by 10%. Travel on British Rail London and South East services remained fairly steady, but that on buses fell by 27% and on the Underground by 17%. Even so, public transport still accounts for over a third of all vehicular journeys by London residents and is a normal means of getting to work for half of those working in London - a very different picture from other large towns and cities in Britain, where public transport accounts for less than one-third of journeys to work.

10. The difficulties of London Transport have been compounded by failure for many years to control unit costs, to change services to suit different patterns of demand and to concentrate resources on key investment and refurbishment. Between 1970 and 1982, unit costs rose in real terms by over two thirds per bus mile and by nearly 50% per Underground train mile. Staff levels, which account for over two-thirds of costs, remained virtually static while demand fell. The total amount of grant paid annually to London Transport rose from £6.5 million to nearly £370 million. This represents a thirteen-fold rise after allowing for inflation. Despite this, fares almost doubled in real terms. So the taxpayer, the ratepayer and the farepayer have all had to dip deeper into their pockets to pay for the massive real increase in the cost of running London Transport.

11. While costs have risen and swallowed up resources, investment has suffered. The poor quality and decay of the London's transport system have made their own contribution to its declining use. The Select Committee concluded:

"London's entire public transport system is in need of a face-lift, to improve the reliability of services, the cleanliness and comfort of the services provided, and the ease of movement between one service and another. Although every effort should be made to keep fares to a minimum, all the evidence we have received, and the experience of major conurbations overseas, suggests that the level and quality of service, rather than price, is the major factor in persuading travellers to transfer to public transport." (Ibid: paragraph 5.50)

12. The Select Committee's critical view extended over the services provided by British Rail as well as those of London Transport. Public complaints of rising costs and deteriorating services on the London and South East commuter services had already led to an examination by the Monopolies and Mergers Commission in 1980. Their report drew attention to the scope for increased productivity, efficiency and cost control, the importance of matching supply and demand and the need for clearly defined objectives. Draft objectives were published by the Government in 1981, but this process was quite independent of the goals being pursued by the GLC, reflecting the different lines of responsibility and the different views of the priorities for London Transport and British Rail.

13. Between them London Transport and British Rail's London and South East sector/^{now}account for more than £500 million a year of public subsidies. The Government believe that the present system under which these subsidies are provided from two quite independent sources to meet independently set objectives is fundamentally flawed.

14. The Government share the view of the Select Committee that new and better arrangements for London to deal with these basic defects are imperative. They accept the first recommendation in the Committee's report that:

"Central Government should henceforth regard the improvement of transport facilities in London as a matter of national priority. Unless the Government is now prepared to recognise the size of the transport problems faced in London, and is prepared to take the lead in resolving these problems, the capital could well face continuing decline and become increasingly unattractive to commerce and increasingly unattractive as a place of residence and as a centre of work, entertainment and tourism." (Ibid: paragraph 2.15).

15. This recommendation embraced a much wider field than public transport on its own. The Committee had also found the way the GLC had discharged their responsibilities on roads and traffic

management profoundly unsatisfactory and concluded that a major re-allocation of responsibilities was now needed. The Government share this view, but they believe that the size, complexity and importance of London's public transport are such that the body responsible for it should have public transport as its sole remit.

London Regional Transport

16. The Government have decided that control of the London Transport Executive should be transferred as soon as possible from the GLC to the Secretary of State for Transport. It will then be reconstituted on the pattern of a small holding company, with its bus and Underground operations established as separate subsidiaries. The holding body, which will be re-named London Regional Transport (LRT), will be responsible for the strategic control of its operating subsidiaries and for securing the cost-effective provision of bus and Underground services from these and other operators.

17. The plans of LRT will have to be formulated in the context of the wider economic and social aims for the capital. They will also have to be compatible with the land use strategies for London, and there will be co-ordination with the planning process to secure this. Proposals for the reallocation of road and traffic responsibilities on the abolition of the GLC and for strategic planning arrangements for London will be set out in a White Paper later this year.

18. LRT will have four initial tasks:

- to improve bus and Underground services for London within the resources available and make the services more attractive to the public;
- to reduce costs and the call on taxpayers' money and generally secure better value;
- to involve the private sector in the provision of services and to make better use of publicly-owned assets;

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- to promote better management through smaller and more efficient units, with clear goals and measurable objectives.

19. New arrangements will be introduced to provide the necessary financial support for LRT. As with BR grant will come direct from the Secretary of State. This will replace the present system under which the GLC precepts on the London Boroughs for the ratepayers' contribution towards the cost of London Transport. Discussions will be held about the bridging financial arrangements while the new system is being established. When the GLC ceases to be responsible for London Transport ratepayers in the London Boroughs will no longer contribute in this way. There will however have to be arrangements to maintain the relative position between London's ratepayers and those elsewhere who continue to contribute directly to their local public transport services. Consultation will take place with local government representatives about the mechanisms to be adopted.

20. Local authorities in whose areas LRT's own services operate will be able to enter into agreements with the operators to buy specific additional services and to finance travel concessions.

The Government will consult representatives of the London Boroughs on the development of a joint scheme to be operated when the Boroughs take back responsibility for concessionary fares for the elderly from the GLC.

21. The establishment of LRT's bus and Underground subsidiaries will be facilitated by the London Transport Executive's existing structure, in which the Underground and bus businesses are separately identified and managed. But the new body will need to examine the scope for further division of the operations in the interests of improved efficiency. The bus and Underground subsidiaries will have power to divide their operations into further subsidiaries; this will be particularly relevant to the bus business. LRT will be able to dispose of any of those further subsidiaries, subject to the consent of the Secretary of State.

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22. It is envisaged that the London Transport Executive's existing assets and liabilities will pass to the LRT. The treatment of liabilities incurred by the GLC in the form of accumulated borrowing in respect of capital grants to the London Transport Executive will be determined in the context of decisions on the GLC's debt generally.

23. The assets and liabilities which LRT inherits from the London Transport Executive will be assigned as appropriate between the parent body and its subsidiaries when these are established. As far as possible existing staff of the London Transport Executive will continue to be employed within LRT and its relevant operating subsidiaries under the same terms and conditions of service.

24. At present local bus services may be operated in Greater London only by London Transport or with their agreement. Road service licences are not required for such services. LRT will be responsible for approving services and changes in services by its own subsidiaries and by other operators who have entered an agreement with it to provide services. Road service licences will still not be required for these services. But operators who wish to run bus services in Greater London without entering an agreement with LRT will in future be enabled to apply for road service licences from the Traffic Commissioners. These arrangements will avoid the bureaucratic procedures which would be entailed if all services in Greater London were brought under the control of the Traffic Commissioners, while providing for the licensing of competing bus services under the same conditions as apply in the rest of Great Britain.

25. The London Transport Passengers Committee will continue to be the consumer representative body concerned with the bus and Underground services provided by LRT and its subsidiaries.

Involving British Rail

26. The arrangements described above will help to secure the improved operating efficiency and cost savings in London's bus

and Underground services that are so urgently needed. The commuter services of the British Railways Board also need to be run within clear objectives and tight financial disciplines.

Joint action will be required to cut out wasteful duplication between British Rail and LRT, to make services more attractive and travelling easier for the public and generally to cut costs in the interests of the taxpayer and the farepayer. The Secretary of State for Transport will set up new liaison arrangements with the British Railways Board and with London Regional Transport for this purpose.

27. The contribution that British Rail can make in response to the new liaison arrangements will be made easier by the recent appointment by the British Railways Board of a sector Director for all the London and South East passenger services, with clear accountability for what is being achieved and for the financial performance of the sector.

Extending the Role of LRT

28. The Government believe that their new proposals will by themselves secure a major improvement in the services offered by London's public transport operators and in their efficiency.

However, the Select Committee considered that it might eventually prove desirable to transfer the support of British Rail's London commuter services to the authority responsible for London's bus and Underground services. Accordingly the Government propose to take reserve powers that would enable them to extend the responsibilities of LRT if experience shows that a more formal structure is needed.

29. Such a step would entail a further substantial development of the powers and responsibilities of LRT. The Government propose to formulate the relevant legislative provisions in such a way that they would be brought into effect by Order for a limited period which could only be extended with Parliament's agreement.

30. In outline, these extended arrangements would work as follows

31. LRT would have power to provide financial support for investment in, and operation of the services in and around London provided by the British Railways Board, as well as by its own subsidiaries. It would sanction borrowing by the British Railways Board in respect of the London commuter services for approved purposes. It would set objectives for these services and monitor their achievement.

32. At present the British Railways Board's London and South East sector covers a wide area including 15 counties around London, in which commuters represent some 60% of the sector's passengers. It might be sensible for the LRT to exercise its responsibilities over the sector as a whole, since it represents a well defined unit for financial and accounting purposes. However, the precise definition of the network for which LRT would provide support requires further study.

33. It would be necessary under this scheme to establish new arrangements for representing regional, local and consumer interests to LRT. Changes would be necessary in the present scope and responsibilities of the London Transport Passengers Committee and of the Transport Users' Consultative Committees which deal with the relevant services provided by the British Railways Board. The proposed legislation would include a power for the Secretary of State to establish new arrangements by Order. Appropriate consultation would take place before detailed arrangements were proposed.

34. Decisions on disputed rail closures would be taken, as now, by the Secretary of State.

The Next Steps

35. The Government believe that the first steps necessary to establish LRT and to set up the new liaison arrangements are now urgent. It would be wrong to leave the future of London's transport in a state of uncertainty for any prolonged period of time. This White Paper has therefore been published at the earliest opportunity as a basis for consultation. The principles

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on which the Government intend to proceed are clear. But there are many detailed aspects on which the Government will wish to have the views of those concerned: the operators, the London Boroughs and authorities bordering London, those who work on public transport and the consumer. The Government are therefore inviting the views of interested parties as soon as possible, so that they may take them into account both in framing the details of the legislation and in agreeing with those concerned the arrangements associated with setting up LRT and providing an efficient, effective and convenient public transport system for London.

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Local Govt. Relations Pt 16

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10 DOWNING STREET

From the Private Secretary

20 July 1983

The Prime Minister was grateful for your Secretary of State's minute of 19 July, to which was attached a revised draft White Paper.

The Prime Minister noted your Secretary of State's views about the creation of a liaison committee and commented that he will need to get together some such group of people if the problems of overlap and duplication and so on are to be dealt with. Subject to the views of colleagues, the Prime Minister is now content with the draft White Paper and agrees to its publication on Tuesday of next week.

I am sending copies of this letter to the other Members of the Cabinet and to Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Miss D. Nichols,
Department of Transport.

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JK

Public Transport (London)

3.42 pm

The Secretary of State for Transport (Mr. Tom King): With permission, Mr. Speaker, I should like to make a statement.

I am today publishing a White Paper on Public Transport in London. Copies are available in the Vote Office. The White Paper sets out our proposals for fundamental changes in the way in which public transport in London is organised and financed. The present system has served the travelling public and the transport operators badly. Since 1970 costs in London Transport have risen way beyond inflation; public subsidy has risen thirteenfold, and fares have doubled in real terms. Last year the all-party Transport Select Committee unanimously recommended that the improvement of transport facilities in London should be regarded as a national priority and that responsibility for transport should be moved from the Greater London council.

The Government have accepted this need. As the first step we intend to reform the London Transport Executive into a new body on the pattern of a holding company with separate subsidiaries for bus and underground services. That new body — London Regional Transport — in addition to control of the subsidiaries, will have a wider responsibility for securing efficient public transport for London. It will be required to encourage other private or publicly-owned operators to provide services where they can be offered more efficiently and cheaply. I shall establish new liaison arrangements between British Rail and London Regional Transport to secure the maximum benefits from closer co-operation between them. Our proposals also include a reserve provision for London Regional Transport to take over responsibility for grant allocations to British Rail's London commuter services at a later stage, if experience shows the need for it.

I emphasise three points. While the Government's proposals for the abolition of the GLC would, in any case, have required new arrangements for transport, these proposals are right in transport terms. They will end the inefficient arrangements under which British Rail and London Transport served two different masters. The key elements in our proposals are to get the different public transport operators working together and to encourage the provision of new and competitive services.

London's ratepayers will be protected from seesawing rate demands for public transport. London Regional Transport will instead receive a grant direct from the Government, and a compensating adjustment will be made in the financial support arrangements for London.

Responsibility for granting concessionary fares will in future rest with the London boroughs. The Government will consult representatives of the boroughs to discuss how best to consider the operation of the scheme.

The new arrangements are designed to improve efficiency and to get a better deal for the London traveller. I am publishing this White Paper at the earliest opportunity in this new Session as a basis for consultation with interested parties on the details of our proposals. I shall take such views into account in preparing the legislation that I hope to bring before the House in the autumn.

Mr. Robert Hughes (Aberdeen, North): I thank the Secretary of State for making that statement to the House today.

The Select Committee on Transport report, published in July last year, has been overtaken by the Transport Act 1983, which received Royal Assent only on 28 March this year, which laid out in great detail the relationship between the Secretary of State and the planning arrangements for London Transport. Is the right hon. Gentleman aware that that measure was driven on to the statute book by the use of a guillotine motion? Has not the Secretary of State, while praying in aid the reasoning of the Select Committee on Transport, completely rejected recommendation 21 about the composition of the metropolitan transport authority? The Committee recommended that it should be composed of members of the GLC, representatives of the London borough councils and of the shire county and district councils, in addition to the Secretary of State's nominees?

Will the Secretary of State tell us, because the White Paper is silent about this, how the holding company will be directed? Will it be directed by Department of Transport officials, by Ministers or by London Transport management, or will the Secretary of State simply nominate members to a board? Does the right hon. Gentleman agree that it removes all democratic local government choice from the running of London Transport?

The suggestion that the capital's transport system be taken away from the GLC and given to the London boroughs and that joint arrangements will be made later, will mean that pensioners' concessionary fares will be adversely affected. With his Tory friends in the London boroughs, the lowest common denominator will have its way, and there will be a reduction in concessionary fares. Is not the White Paper a prelude to the privatisation of any profitable parts that may be extracted from London Transport and an encouragement to local private operators to cream off profitable services? Has not the Secretary of State fallen into the same trap as did the Serpell committee, in that he is more concerned with finance than with transport policy, and that his objective consideration of such serious matters has been clouded by the Government's vindictiveness towards the Labour-controlled GLC?

Mr. King: I appreciate the difficulty of responding to a White Paper without enough time to study it. When the hon. Gentleman has had an opportunity to study it, he may welcome some of the proposals. It will provide an opportunity for better co-operation and collaboration between London Transport and British Rail's commuter services—

Mr. Nigel Spearing (Newham, South): They do that now.

Mr. King:—which can achieve substantial benefits for travellers in London.

Mr. Spearing: What an excuse.

Mr. King: We have not followed every detail of the Select Committee's recommendations. The hon. Gentleman will know that the Select Committee could not reach agreement on the membership. It proposed generally that it might include members of the GLC and representatives of the London boroughs, the shire counties, the shire district councils and the consumer committees. The more one lists the possible membership, the more one sees how far we have moved towards the

[Mr. King]

alternative approach, which is the only one that can work, of an efficient management board that is capable of running an important transport undertaking. That is the approach that we have adopted. I shall not prejudge the concessionary fares issue, as the London boroughs will want to consider it, but, before the GLC operated the present scheme, the boroughs operated a standard scheme for concessionary fares across London.

Mr. Terence Higgins (Worthing): I welcome the publication of the White Paper. However, do not many of the serious problems of London Transport arise from the peak travelling hours? Will my right hon. Friend give further consideration to that aspect? Is my right hon. Friend aware that many people outside London believe that they are unfairly treated in the matter of concessionary fares because of the different age distribution in places such as Worthing compared with London? Therefore, will he consider the idea of a national standard?

Mr. King: We have always felt that it was up to individual authorities to determine appropriate concessionary fares for their areas, particularly as they are aware of the transport provision in their areas and the desirability or benefit of such schemes. This matter will need careful discussion in the weeks and months ahead.

I hear what my right hon. Friend says about the problem of peak hour travel, and understand his interest in this matter. I hope that the discussions with British Rail in London and the south-east region and with London Transport will enable us to achieve some real progress in improving the arrangements for facilities for Londoners both at and outside peak hours.

Mr. Sydney Bidwell (Ealing, Southall): As the only London Member of the Select Committee that undertook the study, may I point out to the Secretary of State that we observed the necessity for state aid to the capital and massive capital expenditure, which cannot be undertaken by the GLC by raising rates and so on. I am sure that the right hon. Gentleman will agree with that. However, does he recall that we emphasised the necessity for having on that body representatives of the public in the shape of members of shire county and district authorities and of the GLC? We deliberately left the size of the committee fluid so that possibly, under an enlightened Labour Government, it could include representatives of the trade union movement and so on. Will the Secretary of State undertake, in the coming discussion on the White Paper, to change his attitude, because it would be easy to have elected representatives of the people to serve on the authority that will emerge?

Mr. King: The hon. Gentleman will know that the London Transport Executive does not include elected representatives of the people. The duty of the GLC is to approve the plans and the expenditure, but not to interfere in the day-to-day running of London Transport. As a member of the Select Committee, the hon. Gentleman knows—I am grateful for his confirmation—that the Committee proposed that responsibility for the executive should be removed from the GLC. One of the reasons for that was that the executive encompasses a much wider area than the GLC. The hon. Gentleman knows that although the Committee was not short of time, there would have

been real difficulty in establishing an elected member of the London Transport, with an efficient management board, is the right way to proceed. As I shall have responsibility for appointing the members, I shall be answerable to the House for those appointments and for the conduct of the people whom I appoint.

Mr. John Hunt (Ravensbourne): Is my right hon. Friend aware that his proposals will be warmly welcomed in the London borough of Bromley and throughout the Greater London area, where ratepayers have had to pay dearly for the politically-motivated fare experiments carried out by London Transport under the control of the GLC? Is my right hon. Friend confident that the creation of this new London Regional Authority will signal the return of sanity and responsibility to the financing of transport in London?

Mr. King: I recognise that no one knows better than my hon. Friend about the problems and distress caused to many of his constituents and to his local authority and travellers in London by the GLC's behaviour. I hope that the new proposals will lead to a more stable relationship plus a real improvement in the cost-effectiveness of the services provided, which is of great concern to the people of London.

Mr. John Cartwright (Woolwich): Does the Secretary of State accept that the travelling public want not liaison between British Rail and London Transport, but the closest possible integration of services? Will the new arrangements be geared to achieving just that? Does the right hon. Gentleman also accept that if London is to have the modern public transport system that it needs and deserves, it will require a substantial capital investment programme? Will the new arrangements for London Regional Transport enable that capital to be made available?

Mr. King: The liaison arrangements are to achieve that better co-operation and integration of services to which the hon. Gentleman referred. For instance, the facilities for common ticketing, through ticketing or inter-change facilities are all part of the whole range of possibilities that are being developed, and on which more can be done. New developments in technology make it possible to achieve some exciting advances, which I hope to encourage.

As to the sums that will be available for investment, it is obvious that the more efficient the operation of the service, the greater will be the sums available. There has been inefficient working and unnecessary cost, and that has taken money away from necessary investment.

Mr. John Page (Harrow, West): Is my right hon. Friend aware that after the raping of the ratepayers of Harrow by the GLC over the past few years, Harrow ratepayers will be delighted with these proposals? Will my right hon. Friend tell those of us who have not yet had the opportunity of seeing the White Paper whether he envisages the new regional authority taking responsibility for taxis and car hire firms throughout the London area?

Mr. King: I am grateful for my hon. Friend's welcome. I think that when hon. Members have a chance to study the White Paper, they will realise that it opens up interesting possibilities for the future of transport in London. It does not cover taxis, but I hear what my hon. Friend says.

Mr. Spearing: Is not the separation into separate subsidiaries of London Transport bus and underground

services a retrogressive step, putting the clock back to before 1912 and taking apart the merger that a Conservative Government agreed to in 1932? Therefore, is it not the opposite of the integration that the right hon. Gentleman claimed that he was seeking?

Will the Secretary of State assure us that the proportion of public support—and public support is found in capital cities everywhere—will not be reduced by the change of funding by his Department rather than by the GLC? If so, what is the case for any change?

Mr. King: The opening comparison made by the hon. Gentleman is not particularly apt. The point of establishing separate subsidiaries is to draw attention to the fact that the London Regional Transport will be responsible not just for the management of those subsidiaries but for seeing how public transport services can best be provided within London. The envisaged structure would separate the new body from involvement in the operations. I do not think that the two parts, being adjacent subsidiaries within a holding company, mean the total collapse of communication suggested by the hon. Gentleman.

On investment, I refer the hon. Gentleman to the reply that I gave to the hon. Member for Woolwich (Mr. Cartwright).

Sir John Biggs-Davison (Epping Forest): In view of my constituents' grievances over services and concessionary fares, will this White Paper—which I welcome—be followed by consultations not only with the London boroughs but with local authorities in Essex as well?

Mr. King: One of the points that I made to the hon. Member for Ealing, Southall (Mr. Bidwell) was that these proposals affect people who live in a much wider area than the GLC area. I am conscious that the White Paper involves not only 32 London boroughs, but 15 shire counties which are, in one sense or another, directly concerned about and involved in the efficiency of the London Transport system. The answer to my hon. Friend is yes.

Mr. Tony Banks (Newham, North-West): Does the Secretary of State agree that the White Paper proposals amount to a further deterioration of local democracy in London, because a publicly accountable authority will be made into a quango to which I understand the Government are much opposed? Is he aware that some of the areas that will be brought into the new authority do not have the same concessionary fares for old age pensioners as those provided by the GLC? Will he give an assurance, first, that fares will not increase under this new quango, and, secondly, that the old age pensioners' free bus passes provided by the GLC will be safeguarded?

Mr. King: I have already made a clear statement about concessionary fares, and there will be consultations. The Select Committee, with all-party support, proposed to remove transport control from the GLC. The hon. Member for Ealing, Southall believes that transport should be removed from what he called the democratic control of the GLC, although other people might use a different form of words to describe the sort of control exercised by that body during the past couple of years.

Mr. Banks: They can have an election.

Mr. King: The Select Committee's proposals would have established a substantial quango covering all London

traffic and roads. We have suggested converting London Transport to a more modest structure that could achieve most of the benefits envisaged by the Select Committee.

Mr. Sydney Chapman (Chipping Barnet): Is my right hon. Friend aware that my constituents desire an adequate and efficient public transport service system for London with a fare cost that is met fairly by taxpayers, ratepayers and the users of that system? Provided those objections are met, my constituents do not care who runs the London Regional Transport. Is he aware that they do not expect any more or less accountability than they have with the British Rail suburban line that runs through the constituency? Is he further aware that they welcome the fact that there will be an integrated public transport system throughout the metropolis, which includes British Rail suburban lines?

Mr. King: London travellers should not be treated as a political football to gratify the aims and political ambitions of certain people in county hall. This is a serious industrial matter. A public transport undertaking of the size and complexity of the one in London deserves the best management that we can bring to it. It is my intention to provide that management. I believe that the public are anxious to see that achieved. There are 92 GLC councillors and 84 London Members of Parliament. I and my hon. Friend the Under-Secretary will be answerable to the House for the appointments that we make to the LRT.

Several Hon. Members *rose*—

Mr. Speaker: Order. We have a heavy day and another statement in front of us. I propose to call those hon. Members who have been standing, but I ask for much shorter supplementary questions.

Mr. Frank Dobson (Holborn and St. Pancras): Will the Secretary of State confirm that, if these proposals are accepted, Greater London will be the only part of the country where democratically elected local government representatives will not play a direct part in the planning and subsidy arrangements for transport in their area? Will he confirm also that his proposition contains no benefit to London ratepayers because he intends to withdraw rate support grant equivalent to the amount that the ratepayers are presently contributing to London Transport?

Mr. King: The White Paper proposes that we should maintain the relative position of London ratepayers and those in other conurbations. That is a fair approach.

The Select Committee was unable to resolve the problem of how to achieve a comprehensive approach to public transport in London, given the area that the system must cover. The Select Committee made no proposals on how to build in some form of elected membership. It will be a duty of London Regional Transport, when preparing its plans, to consult the local authorities. I shall be answerable to the House and to London Members. In that way I hope to solve what I think the House will recognise is a difficult situation.

Sir Anthony Grant (Cambridgeshire, South-West): Is my right hon. Friend aware that his statement will be welcomed not just by London ratepayers but by taxpayers in other parts of the country who indirectly subsidise the antics of the GLC? Will he confirm that the new body will be unable to waste public money on party political advertising in the press, as the GLC did so disgracefully last year?

Mr. King: I know how strong feelings are in many parts of London about the way in which the GLC has abused its powers in so many ways. I hope that we can ensure that, under the proposals in the White Paper and under the legislation that I shall bring forward, we can provide a rather more stable and promising future for London travellers with local transport being managed professionally.

Mr. Norman Atkinson (Tottenham): Will the Secretary of State acknowledge that overwhelming numbers of Londoners will be opposed to these suggestions because he has thrown common sense out of the window and replaced it by sheer political ideology? How on earth can he talk about accountability if he proposes to set up a centralised holding company to which will be linked a labyrinth of public limited liability companies accountability for which will be confined to the board room?

Mr. King: The hon. Gentleman's opening remarks represent a serious attack on the all-party Select Committee's proposals. I sought to make that point clear in my statement. When the hon. Gentleman has a chance to read the White Paper, he will find that I have endorsed a number of the Select Committee's statements.

Mr. Edward Leigh (Gainsborough and Horncastle): As a former member of the GLC's Transport Committee—

Mr. Dobson: The hon. Gentleman made a mess of it, too.

Mr. Leigh:—may I congratulate my right hon. Friend on his excellent statement? Does my right hon. Friend agree that if there is one thing worse than London Transport being run by the present regime at county hall, it is for it to be run by an undemocratic burgeoning bureaucracy like the Thames water authority, upon which I have also had the misfortune to serve?

Mr. Dobson: Creep.

Mr. Leigh: Will my right hon. Friend ensure that this is a true privatisation measure? Will he further ensure that the new company is subject to commercial disciplines and it is not just a juggling of responsibilities between public authorities?

Mr. Dobson: Sell water to the highest bidder.

Mr. King: I look forward to discussing these matters further with my hon. Friend. He will see in the proposals that this will not be a limited liability company.

Mr. Eric Deakins (Walthamstow): Is not the replacement of democratic GLC control by that of the unelected Treasury a recipe for the end of cheap fares in London? Furthermore, does the Secretary of State recognise that his failure to give any assurances about pensioners' free bus and tube passes will lead to great anxiety among the many who live in Conservative-controlled Greater London boroughs where there will plainly be great reluctance to provide the subsidy necessary to maintain the present scheme?

Mr. King: I am sure that the hon. Gentleman is aware of the utter contradiction of his supplementary question. He accuses me of complete centralisation, but asks me to remove from the boroughs the discretion to determine what is appropriate for their areas. I thought the hon. Gentleman believed in local authority freedom and discretion. I stand by the proposals in the White Paper.

Mr. Roger Sims (Chislehurst): Does my right hon. Friend envisage that London Regional Transport will have any powers over British Rail in respect of the London commuter train services, or will its role be solely one of co-ordination and integration?

Mr. King: The initial proposal is that I should chair a liaison committee with which British Rail and London Regional Transport will be involved. I shall be seeking at the earliest date to obtain the maximum possible benefits from co-operation and co-ordination, the ending of duplication and overlap, better interchange arrangements and the various facilities and improvements that so many people feel are possible.

As my hon. Friend will see, the legislation will contain a reserve power which might later give London Regional Transport grant-making powers to enable it to take over responsibility for the payment to British Rail of the public service obligation grant for commuter services.

Mr. Simon Hughes (Southwark and Bermondsey): Given the shortness of the White Paper, will the Secretary of State assure the House that he has not yet ruled out including in the draft Bill some democratic participation in the authority to be set up to control London Transport? Will he grasp the nettle of integrating British Rail far more effectively than the proposals in the White Paper suggest? Will he consider the fact that London has an unused transport artery—the waterways—which, as far as I can see, is not referred to in the White Paper?

Mr. King: That is correct. That aspect could be worth considering.

On the hon. Gentleman's first point about democratic participation, I am sure that he will accept that it is a difficult problem because we are talking about a fairly wide area.

People are now commuting into London from as far away as Bristol and Leicester, and they have a right for their views to be considered as well. The problem of building in democratic accountability over this range is substantial. I believe that in the so-called "golden" days, London Transport was run in the way that I am now proposing. Some people may question whether democratic accountability, as seen in the last couple of years, is really the way to run London Transport.

Mr. Peter Bottomley (Eltham): Does my right hon. Friend accept that the most important part of the White Paper is paragraph 10, which shows that over the last 12 years unit costs have gone up in real terms while services have gone down? Increased prices as well as increased subsidies show that London Transport is not providing the service that is needed. When are the ratepayers and travellers in my constituency likely to see British Rail fares on a par with London underground fares and when are the ratepayers likely to get an advantage from the new proposals?

Mr. King: I would not like to give a specific date, but my aim is to see early progress. There is the will and a recognition that there is considerable scope for improvement. When we talk of greater efficiency and getting value for money, many people think that we are talking merely about saving money, but that can also mean improvements in the quality of service in certain areas—and in many parts of London that is long overdue.

Mr. Ron Leighton (Newham, North-East): Does the right hon. Gentleman understand that his action in arrogating to himself such wide ranging and dictatorial powers and eliminating any form of democratic participation by ordinary Londoners will be deeply resented in the capital? He has given no guarantees on the level of fares or travel concessions for the retired. Will he now use plain language—not weasel words—and say that there will be no increases in the real level of fares and that existing travel concessions will continue right across the capital in future?

Mr. King: The hon. Gentleman knows perfectly well that those answers will depend on the authority's performance and on the decisions of the boroughs. I have stated in the House that the power of decision should not be taken away from local authorities. They will have the right to determine what should happen about concessionary fares.

I do not agree with the hon. Gentleman's other point. The evidence is not on his side, but I shall not continue endlessly to repeat the arguments that I have already made.

Mr. Harry Greenway (Ealing, North): Is my right hon. Friend aware that my constituents had their fares and rates doubled by the GLC last year and that the lower fares introduced recently have been much lower for inner Londoners, whereas outer Londoners have not enjoyed a commensurate reduction? Will he see that this unfairness is overcome in the new legislation?

As to concessionary fares, is my right hon. Friend aware that successive Conservative and Labour administrations at county hall have supported the present level of pensioners' passes? Will he use his influence to ensure that those passes are maintained at the present level, irrespective of what happens outside the Greater London area?

Mr. King: On concessionary fares I clearly stated:

"The Government will be consulting representatives of the boroughs to discuss how best to continue the operation of the scheme."

I hope that my hon. Friend will accept that that is the right way to proceed. It is wrong to read anything sinister into this, as Labour Members seem to do. That seems to be the proper way to proceed, and I hope that all hon. Members will endorse it. I hope that these proposals will genuinely be a more sensible way to proceed on the major problems and important issues connected with London's public transport. I am grateful for my hon. Friend's welcome.

Mr. Chris Smith: (Islington, South and Finsbury): Will the Secretary of State admit, as he failed to do in answer to my hon. Friend the Member for Holborn and St. Pancras (Mr. Dobson), that under the provisions of paragraph 19 of the White Paper, the rate contribution from Londoners, including those from Harrow and Bromley, will be the same as at present? Will he also admit that the only difference will be that those London ratepayers will not have the power to elect the people who make the decisions on services, fares and rate contributions?

Mr. King: If the hon. Gentleman reads paragraph 19 carefully, he will see that it will depend on what is thought to be the appropriate level of contribution. I undertake that it will not swing around as violently as it has in recent years, to the great damage of ratepayers in London. The

hon. Gentleman will understand that it will be grossly unfair to ratepayers in other conurbations if London ratepayers did not have to contribute in that specific way.

Mr. Richard Tracey (Surbiton): I congratulate my right hon. Friend on introducing the White Paper. May we have some assurance that, for the benefit of the travelling public and the management of London Transport, this change will happen as quickly as is practicably possible?

Mr. King: I am anxious to avoid any unnecessary uncertainty for this important and major undertaking. I apologise if the White Paper has come forward in perhaps a shorter time than one might have wished for consultation, but it is important to carry the legislation through the House, with proper discussion, at as early a date as we can. I hope that vesting can go ahead at the earliest possible date thereafter.

Mr. Bryan Gould (Dagenham): If private operators are to be allowed to take their profits from the profitable services, will not the ratepayer be left with an even greater burden in respect of the unprofitable services?

Mr. King: The hon. Gentleman will have studied the proposals on the licensing of alternative services. I hope that he will recognise that there are areas in which new services or competition can make a major contribution to improving services for the public. I hope that the hon. Gentleman will bring his alert mind to bear on this issue and not be as negative as some of his hon. Friends who refuse even to entertain any suggestion that private enterprise can occasionally do things better, to the advantage of all concerned.

Mr. Nigel Forman (Carshalton and Wallington): As tricky issues such as efficiency, public accountability and social obligations are involved, would it not be prudent for the Government to hasten slowly on this matter, contrary to what my right hon. Friend said, and to have a sensible, full debate on the White Paper before proceeding to legislation?

Mr. King: My hon. Friend will have heard my views on that earlier. We shall have a full debate and full parliamentary procedure on the legislation as it comes forward. I shall be more than willing to discuss these matters with my hon. Friend and any other hon. Members in advance of the legislation.

Mr. Alfred Dubs (Battersea): At least twice this afternoon the Secretary of State has sought to justify the taking away of democratic control over transport from the people of London. He has done so by talking about London Members of Parliament having a direct line to him. How will that work? Is he saying that he is prepared to be answerable in greater detail than Ministers normally are to hon. Members on the day-to-day operation of the new transport authority?

Mr. King: I do not want this to be misunderstood, and I think that I have said it more than twice this afternoon. On accountability, an all-party Select Committee took the decision to take away democratic control of London Transport, as the hon. Gentleman calls it, from the GLC.

Mr. Spearing: Not a decision; a recommendation.

Mr. King: It recognised that it would need a far wider representation than the GLC. The Committee proposed that people should be brought in from a much larger area.

[Mr. King]

Therefore, it implicitly recognised that London Transport should be taken away from the so-called democratic control of the GLC. That is the issue that we must face if we wish to achieve a comprehensive approach to London's public transport issues, which affect an area that goes well beyond the GLC.

Mr. Neil Thorne (Ilford, South): I, too, welcome the White Paper. Will my right hon. Friend bear in mind what happened 15 years ago, when the then Labour Secretary of State for Transport had to go on bended knee to the Conservative-controlled GLC to beg it to take on London Transport, because she was incapable of dealing with it herself? Will he please ensure that the very best people—

Mr. Tony Banks: The hon. Gentleman means Tories.

Mr. Thorne: —are employed at the top of this organisation? Moreover, in the interests of my constituents, will he also ensure that the maximum use is made of private enterprise, particularly in peak transport periods?

Mr. King: I had better not get involved in the incapacity or otherwise of the then right hon. Lady to cope with those problems. However, these are difficult issues, to which the Select Committee said there was no easy answer.

I omitted to answer the question about accountability. The normal procedure regarding ministerial accountability will apply where ministerial appointments are made.

Mr. Robert Hughes: Will the Secretary of State admit that he has gone much too far in praying in aid the Select Committee? The Select Committee made 37 recommendations, the majority of which he rejected. Will he guarantee that, after the consultations have taken place, there will be a debate in the House so that Parliament may be consulted before the Bill is published and the legislative process begins?

Mr. King: As the hon. Gentleman knows, that is a matter not for me, but my right hon. Friend the Leader of the House, who will no doubt have heard what the hon. Gentleman said. I think that there will be ample time for parliamentary debate on these issues. I fancy that we shall spend many hours on them. I believe that that is the right way to proceed.

Steel Council

4.20 pm

The Secretary of State for Trade and Industry (Mr. Cecil Parkinson): With permission Mr. Speaker, I should like to make a statement about yesterday's meeting of the European Community Steel Council.

My hon. Friend the Minister of State and I attended the Council.

The central issue was whether to prolong the arrangements made under article 58 of the European Coal and Steel Community for mandatory production quotas. Ministers agreed that to provide the Community with market stability it was desirable to prolong the quota arrangements to the end of 1985.

The Italian Ministers, however, representing a caretaker Government, felt unable to impose such a long-term, legally binding obligation on future Governments. Because of that, the Council's formal decision was to prolong the arrangements to 31 January 1984, with a unanimous declaration of political intent to agree a further renewal to the end of 1985.

The Ministers accepted the need for member states to use this period of market stability to restructure their steel industries, in accordance with the Commission's decisions of 29 June. Those decisions recognised the British argument that we had made the major contribution to reducing European steel capacity and that it was now the turn of others to match those achievements.

The new production quotas also recognise what the British steel industry has already achieved. Our quota is to be increased by 380,000 tonnes of steel per year, which will benefit both the British Steel Corporation and the private steel companies.

Ministers also agreed to greater flexibility for private producers who face difficulties as a result of severe quotas. That should help our wire rod sector particularly. We also agreed to more effective monitoring and policing of the quota system.

The Commission will apply its price rules more firmly so as to tackle unfairly low-priced imports from other member states.

Another benefit to Britain is that we have been able to safeguard British Steel's exports of heavy steel sections, which might otherwise have been cut down by quotas.

While in Brussels, I raised the Port Talbot investment project with Vice-President Davignon and I am pleased to tell the House that he gave me a categorical assurance that approval for it would be given at the end of this week.

There is little doubt that failure to reach agreement on the quota regime yesterday would have led to damaging uncertainty in the steel market. I believe that the outcome of the council is a very satisfactory one, which will help both British Steel's progress towards financial viability and our private sector steel industry.

Mr. Stanley Orme (Salford, East): We welcome the small increase in output quotas announced by the Secretary of State, as we welcome the Port Talbot decision. Nevertheless, it is a pitiful return for the burden that the United Kingdom has borne in cuts, with the loss of 100,000 jobs, or 65 per cent. of the work force, since 1979. The 380,000 tonnes represents only about 4 per cent. of the output lost by British Steel since May 1979.

What can the Secretary of State report about quota changes for the other EC countries? Will he confirm that

bc. F. Mount



SUBJECT

LOCAL GOV: Relations: Pt 16

cc MASTER

10 DOWNING STREET

From the Private Secretary

15 July, 1983.

London Transport Regional Authority

The Prime Minister had a meeting about the proposed London Transport Regional Authority this afternoon. Your Secretary of State, the Chancellor of the Duchy of Lancaster, the Chief Secretary, the Parliamentary Under-Secretary of State, DOE (Mr. Waldegrave), Mr. Lazarus, Mr. Palmer, Mrs. Bridgeman, Mr. Osmotherley, Mr. Goldman (all from the Department of Transport), Mr. Burgner (HMT) and Mr. Ferdinand Mount were present.

After a discussion of the issues raised in my two earlier letters to you today on this subject, the Prime Minister said that it was agreed that the White Paper should propose that the new Authority should in the first instance be a purely holding company, with the bus and tube operations as subsidiary companies; and that your Secretary of State should chair a Liaison Committee of which the Authority, British Rail, and the Department should be members, together with any outside consultant help they required. The Liaison Committee's objective would be to cut out wasteful overlapping between British Rail and London Transport, to seek maximum operating efficiency and cost savings in both networks and to give objectives to, and allocate the minimum necessary subsidy between, British Rail and the new Authority. The White Paper should, further, indicate that the aim would be for the Liaison Committee to make maximum progress in relation to the above objectives; but the legislation would provide that the Government would have the power, by Order, to transfer to the Transport Authority the power to allocate grant as between its operating subsidiaries and the British Rail commuter network; and to pursue the other objectives listed above. There would be no automatic implementation of this second stage, and the Government's aim would be to achieve its objectives by means of the Liaison Committee.

The Prime Minister said that she hoped that it would be possible to publish the White Paper before the Recess.

I am sending copies of this letter to Alex Galloway (Office of the Chancellor of the Duchy of Lancaster), John Gieve (Chief

/ Secretary's

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Secretary's Office), Joan Dunn (Mr. Waldegrave's Office), John Ballard (Department of the Environment) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Miss Dinah Nichols,
Department of Transport.

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CM

Blc: Mr Mount

10 DOWNING STREET

From the Private Secretary

13 July, 1983

LONDON REGIONAL TRANSPORT AUTHORITY

Thank you for your letter of 12 July, which I showed to the Prime Minister yesterday evening.

The Prime Minister has also considered a revised draft of the White Paper, prepared after the discussion yesterday between June Bridgeman and Ferdinand Mount. The Prime Minister remains doubtful about the need for a London Regional Transport Authority on the lines proposed. She believes that it would be compatible with the Manifesto commitment on the subject to set up an authority which was no more than a holding company for the bus and tube operators, together with a statutory commitment to consult British Rail, to prevent over-lapping and duplication in the Greater London Area. The Prime Minister is unclear on what basis a sum would be earmarked from the British Rail Public Service Obligation Grant in respect of British Rail's purely London operations; she questions the wisdom of handing over to the new authority the right to approve or withhold approval of capital investment by British Rail in London; and, notwithstanding that references to integration and co-ordination have now been removed from the White Paper Mrs Thatcher dislikes the creation of an authority whose rationale appears to be co-ordination and integration.

The Prime Minister has asked us to set up a meeting at which a presentation can be given to her on this whole issue. We are arranging this for Friday, 15 July.

I am sending copies of this letter to John Gieve (Chief Secretary's Office, HM Treasury), John Ballard (Department of the Environment), Alex Galloway (Chancellor of the Duchy of Lancaster's Office) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Miss D. Nichols,
Department of Transport

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SUBJECT

Subject: local Gov:
Relations: Pt 15.

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10 DOWNING STREET

From the Private Secretary

12 July 1983

LONDON REGIONAL TRANSPORT AUTHORITY

The Prime Minister held a meeting this morning about the draft White Paper on transport in London which was attached to your Secretary of State's minute to the Prime Minister of 5 July. Your Secretary of State, the Secretary of State for the Environment, the Chief Secretary, and Mr. Ferdinand Mount were present.

Your Secretary of State said that he could accept as a matter of policy all the Prime Minister's points about the White Paper which were recorded in my letter to you of 11 July. But he thought it would be a mistake to include these explicitly in the White Paper, since to do so would provide the Government's opponents within the GLC with a powerful propaganda weapon. In discussion, the Prime Minister expressed doubts about the need to set up a new body with a remit to integrate and co-ordinate London's transport. It was agreed that great care would be needed in the drafting of the White Paper not to create the impression that a powerful new quango was being set up with wide powers to interfere with the operations of British Rail in London and the buses and underground systems. The Secretary of State for the Environment pointed to the difficulty which would arise if the new Authority was set up in the middle of a financial year, since he had no power to give Rate Support Grant for only part of a year.

Summing up the discussion, the Prime Minister asked your Secretary of State to arrange for his officials, together with Treasury officials and the No. 10 Policy Unit, to revise the draft White Paper to take account of the points made in discussion. On fare increases and the level of subsidy for the new Authority, the Prime Minister said that it was agreed that your Secretary of State's statement should be on the lines that the level of fares would depend on the efficiency of, and the cost savings achieved by, the new Authority. There would be a continuing subsidy, but also considerable savings and economies in the operations of the new Authority.

I am sending copies of this letter to the Private Secretaries to the Secretary of State for the Environment, the Chief Secretary and to Sir Robert Armstrong.

M. C. SCHOLAR

Miss Dinah Nichols,
Department of Transport.

RM

* But please see

Prime Minister

12 July 1983
Policy Unit

PRIME MINISTER *Arthur*
Cochfield's letter
LONDON REGIONAL TRANSPORT AUTHORITY

Agree* the revised White Paper?

at May B

MUS 12/7

I attach a revised draft of Tom King's White Paper.

May I have a word with

Ferdinand?

me

1. We have got rid of all the "integration" talk in the original paper, and we have brought into prominence the proposal that London Buses and London Underground should be separate operating companies, as promised in our Manifesto. The London Regional Transport Authority would be little more than a quango for dispensing subsidy in return for efficient services. It would not run services itself - although the wording of the original draft was so confused that it looked as if it would; and the confusion was made worse by the LRTA being created out of the existing London Transport with Dr Bright at its helm. We have also rewritten the "urgent tasks" for the LRTA with the emphasis on efficiency and cutting costs.

2. It would, of course, be possible for the subsidy-dispensing to be carried out by the Department of Transport, but:
 - (a) We promised an LRTA in the Manifesto, after Cabinet agreement.
 - (b) The DoT does not believe that it is competent enough to scrutinise the operating companies, and who are we to disagree?
 - (c) The subsidy arrangements are removed at one degree from the political process. Of course, the Secretary of State will still get questioned in the House, but at least the day-to-day distribution of subsidy and scrutiny of efficiency will be carried out on non-political transport criteria.
 - (d) It is important to act as quickly as possible in order to stop the GLC from running wild with public money for yet another financial year. As you will see from Tom's note to Peter Rees of 7 July, the GLC is already spending £110 million more this year than what we have set out as reasonable in our Protected Expenditure Limit and, unless challenged in the courts under our Transport Act 1983, is likely to attempt to do even more damage in 1984/5.

3. I therefore conclude that we ought to clear the new draft White Paper for publication and then attempt to iron out its remaining imperfections before the proposals are turned into a Bill.

Do you agree?

FERDINAND MOUNT

Fm

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Michael Scholar Esq
Private Secretary
10 Downing Street
Whitehall
LONDON SW1

12 July 1983

Dear Michael,

As you know, June Bridgeman has discussed with Ferdinand Mount some of the revisions to the draft of the London Regional Transport Authority White Paper and a revised text will be with you this evening.

The Secretary of State would like to draw your attention to the specific decisions which Ministers took collectively about the setting up of the Authority and the commitments which have been made publicly.

The report of MISC 79 (C(83)1) recommended:

"Public transport in the London area should be reorganised by making the London Transport authority responsible to the Secretary of State for Transport and by converting it in two stages into a metropolitan transport authority. It would co-ordinate, and distribute Government financial assistance between, the London Underground and buses and the South Eastern commuter services of British Rail."

Paragraph 4 of the report outlines the organisational arrangements for the new Authority in more detail. In particular, it said:

"Even if the GLC is retained, there is a strong independent case for organisational change to make transport policy in London more coherent, notably by rationalising and co-ordinating the London Underground and the London commuter services of British Rail (BR). In the Group's view this would best be done by converting the existing London Transport Executive (LTE) in two stages into a new Metropolitan Transport Authority (MTA) appointed by the

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Secretary of State for Transport and responsible for allocating grant (which it would receive from the Government) among BR's London commuter services, the Underground and London bus operators. It would approve investment in these services and would have a general obligation to ensure that public transport was provided efficiently and cost effectively throughout Greater London and for commuters into it."

X
In summing up the discussion (CC(83)1st) the Prime Minister said that the Cabinet endorsed the proposals for the reorganisation of transport in London. The Secretary of State should arrange for the work to give effect to this decision, which was independent of the other matters before the Cabinet, to be put in hand.

Chapter 6 of the Manifesto said:

"The GLC has grossly mismanaged London Transport. We shall set up a new Regional Transport Authority for the Underground, buses and commuter trains in the London area. This will provide the opportunity to split the different types of transport into separate operating bodies, put more services out to private tender and offer the passenger better performance."

The Queen's Speech on 22 June 1983 said:

"Legislation will be introduced to reform the organisation of public transport in London"

As you know, it is vitally important to publish the White Paper before the Recess to enable the legislation to be introduced at the beginning of the next session. The Secretary of State attaches great importance to as speedy as possible introduction and enactment of the legislation in order to minimise the opportunities for the GLC to make mischief and to shorten as far as possible the period of uncertainty for London Transport and for the travelling public. I hope, therefore, that the Prime Minister will be able to consider the revised draft as quickly as possible.

I am copying this to Ferdinand Mount.

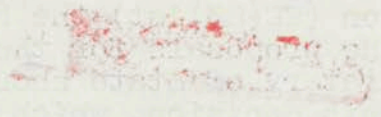
*Yours,
Dinah*

MISS D A NICHOLS
Private Secretary

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2 JUL 1983

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Chancellor of the Duchy of Lancaster

CABINET OFFICE,
WHITEHALL, LONDON SW1A 2AS

Prime Minister

Very clear and
persuasive. But see

12 July 1983

X at May A. ^o

MLS 12/7

File with RB

DoT 12.7.83 pg 2

Dear Sam,

LONDON REGIONAL TRANSPORT AUTHORITY

Do we really need this body at all? I thought at first the proposal was to create an authority which would actually run all the London passenger services. But that is not so. The operators would still be BR for the Railways and some sort of London Transport for the buses and tubes. The new Authority would simply sit on the top.

This is bureaucracy-building of the 1970 style. We are now busily engaged in dismantling the 1970 bureaucracies - in health, local government and water. Do we want to start all over again with another round of creating bureaucracies? What you would end up with would be two or three authorities operating services, another authority co-ordinating them, the Department of Transport supervising the co-ordinating authority and Parliament and a Select Committee overseeing the lot. We won't see much enterprise or efficiency emerging from that set-up.

I am copying this letter to the recipients of your minute of 5 July to the Prime Minister.

[Handwritten signature]

COCKFIELD

The Rt Hon Tom King MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London SW1

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

11 July 1983

London Transport Regional Authority

The Prime Minister was grateful for your Secretary of State's minute of 5 July, to which he attached a draft White Paper which he hopes to publish in the week beginning 18 July.

The Prime Minister is not persuaded of the general thrust of the draft White Paper. She is doubtful about whether it is necessary to set up a new body to "integrate and coordinate" London's transport. She wonders whether the terms of reference of the proposed Authority should be made more specific, and should require operators to reduce costs, so that fares and subsidies will fall in real terms, to publish detailed costings showing profits and losses per passenger mile on each individual route, and to end over-manning. The Prime Minister would also like the White Paper to be more explicit about the role of the private sector: the Authority should consider giving firms a right to tender for any or all of the services supplied by publicly owned operators; and offering firms the option of purchasing these assets or being franchised to operate individual routes or groups of routes at a profit or at a smaller subsidy than the current operators require. The private sector might also be invited to tender for contracts for such ancillary services as catering, mechanical repairs and ticketing.

The Prime Minister also thinks that some limitation should be imposed on the power of local authorities to spend ratepayers' money on subsidising loss-making routes over and above the central subsidy (paragraph 20).

Finally, the Prime Minister is opposed to the idea that your Secretary of State should say that he foresees no need, given responsible direction and efficient operation of these services, for real increases in the current general levels of fares. The Prime Minister believes that to give such an answer at the outset of this Parliament would be to give a hostage to fortune preventing any substantial reduction in subsidy or increase in fares.

The Prime Minister has asked for a meeting to discuss this, and we are arranging this as soon as possible.

I am sending copies of this letter to John Gieve (Chief Secretary's Office) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Miss D.A. Nichols,
Department of Transport,



JF3835

NO

CONFIDENTIAL

PRIME MINISTER

LONDON REGIONAL TRANSPORT AUTHORITY

I have seen Tom King's minute to you of 5 July enclosing a draft White Paper on public transport in London.

2 I have one point of detail on the new consultative body mentioned in the Annex to the White Paper. The existing, independent Transport Users Consultative Committees for London and the South-East are very useful bodies which represent consumer interests effectively. I doubt whether the new body proposed would have the same credibility and I hope Tom King can agree to make clear in the White Paper that the basis of appointment of the new body, and its statutory remit, will be settled in the light the consultations he proposes - a thought which should also of course be reflected in the consultative note he will be putting out at a later stage.

3 I am sending copies of this minute to other members of the Cabinet, to the Chief Whip and the Leader of the House and to Sir Robert Armstrong.

C.P.

Department of Trade & Industry
Ashdown House
123 Victoria Street
London
SW1E 6RB

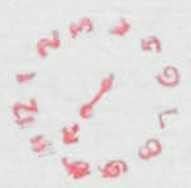
C P

11 July 1983



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ec NO

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

Dear Secretary of State

11 July 1983

LONDON REGIONAL TRANSPORT AUTHORITY

Thank you for sending me a copy of your minute of 5 July to the Prime Minister, enclosing a draft White Paper.

You say that the Government will not be able to make any immediate substantial reduction in levels of subsidy for public transport in London. As I understand it, the Department of Transport's permitted expenditure limit for GLC's revenue support for London Transport amounts to £125m in 1983-84. The component in the GLC's 1983-84 budget relating to revenue support to LT amounts to £235m. No doubt we shall have an opportunity to consider the implications when we settle the public expenditure provision for next year.

I am in full agreement with you that London ratepayers should continue to bear part of the cost of the public transport subsidies in London. I understand that our officials have already had discussions about possible means of achieving this. The basic choice lies between a levy on London authorities or a reduction in the block grant entitlements of individual boroughs. The drafting of paragraph 10 of the Annex to the White Paper precludes the former option. There is nothing to be lost at this stage by keeping our choices open, and putting the matter out to consultation. I suggest that the last two sentences of the paragraph might be redrafted as follows:

"There will have to be arrangements to maintain the relative position between London ratepayers and those elsewhere who continue to contribute directly to the financing of their public transport services. Consultation will take place with local government representatives about the mechanisms to be adopted."

I am sending copies of this letter to those who received copies of yours.

Yours sincerely
P. Jenkin

PATRICK JENKIN

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

JULY 11

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NEW ST. ANDREWS HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

Rt Hon Tom King MP
Secretary of State for Transport
2 Marsham Street
LONDON SW1

Prime Minister

8 July 1983

MUS 12/7

Dear Tom,

LONDON REGIONAL TRANSPORT AUTHORITY

Thank you for copying to me your minute of 5 July. I have no objections to the course of action you propose, but I have two observations.

First, it remains to be seen what detailed arrangements you are able to make to achieve "an appropriate reduction in London's rate support grant". But the fact remains that, at the moment, London's ratepayers contribute only to London Transport costs. British Rail's commuter services into London are funded by the generality of taxpayers, not by the local ratepayers. Londoners are thus privileged by comparison with commuters elsewhere in the country. The arguments for treating London as a special case may be more evident to Londoners than they are to the rest of us, particularly the ratepayers in PTE areas who not only have to foot substantial bills for their rail services, but have to treat with British Rail on a very unequal basis in determining those bills. We need at least to look again at the Section 20 arrangements which govern the financing of PTE rail services. I raised this with your predecessor, but do not have the impression that the issue is being pursued vigorously. I think it should be.

Second, the draft White Paper has much to say about the need for proper co-ordination and planning of London transport. I do not quarrel with that, but it is bound to look odd when set against a number of recent appeal decisions on bus licensing. Local authority objections based on the need for co-ordination and minimising of resource commitment have been fairly systematically disregarded in favour of the freer operation of the market. That has been entirely appropriate in some cases. But the time has come, in Scotland at least, to indicate that we are still prepared to attach due weight to local authority co-ordinating responsibilities. I hope that, in line with what the White Paper says about London, you will bear this in mind in considering a number of bus licensing appeals from Scotland which are now or will shortly be before you.

I am sending copies of this to the Prime Minister, other members of the Cabinet, the Chief Whip, the Leader of the House, and to Sir Robert Armstrong.

*Yours ever,
Cunze*

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12 JUL 1983



PRIME MINISTER

LONDON REGIONAL TRANSPORT AUTHORITY

8 July 1983

Policy Unit

*How could he best-
give Prime Minister
make a meeting
with Tom &
his team
plus points of -4 below?
MS 8/7*

Tom King's draft White Paper ought not to be published in its present form. If this means that there will be insufficient time for consultations to allow the Bill to be introduced in the Autumn, then the Bill will have to be delayed. But a better course would be to rewrite the White Paper in simple, straightforward language which reflects the purposes of this Government.

We accept that transport must be taken away from the present GLC, and that bus and rail services are costing more and getting worse. But we have yet to be persuaded of the case for trying to "integrate" and "co-ordinate" London's transport. BR and LT lines were independently built, do not connect well, and cannot handle each other's rolling stock. Where they should connect better, there is no need for a fresh quango to handle the task. In any case, Annex para. 4(ii) makes it clear that one of the principal tasks of the new Authority would be not to integrate, but to separate the buses from the London Underground.

We suggest that the White Paper should be rewritten to make the following points:

1. The terms of reference of the proposed Authority should be more specific and should include explicit references to the following duties: to require operators -
 - (a) to reduce costs so that both fares and subsidies will fall in real terms;
 - (b) to make and publish detailed costings showing profits/losses per passenger-mile on each individual route, and to plan services accordingly;
 - (c) to end overmanning (eg unnecessary guards, more split shifts, flat fares to reduce ticket staff).
2. The White Paper should be more explicit and enthusiastic about letting the independent sector in on the act. The Authority should consider;
 - (a) giving independent firms a right to tender for any or all of the services supplied by the publicly-owned operators;

(b) offering independent firms a menu of options including outright purchase of all assets, franchises to operate individual routes or groups of routes at a profit, franchises to operate such routes at less of a subsidy than the publicly-owned operators can manage, and contracts for such ancillary services as catering, mechanical repairs and ticketing.

3. Some limitation should be imposed on the power of local authorities to spend ratepayers' money on subsidising loss-making routes over and above the central subsidy (para.20). The production of detailed passenger-mile costings, suggested above, will help in drawing up criteria.

4. Above all, Tom King must not be allowed to make the statement he proposes in his letter to you: "With responsible direction and efficient operation, I foresee no need whatever for real increases on the current general levels of fares. This will mean that we shall not be able to make any immediate substantial reduction in levels of subsidy". To give such an answer at the outset of this Parliament would be the worst possible hostage to fortune, preventing any substantial reduction in subsidy or increase in fares to come. And the Chief Secretary is entirely right to protest.

Mag B

FM

FERDINAND MOUNT



PRIME MINISTER

LONDON REGIONAL TRANSPORT AUTHORITY

I have seen Tom King's minute of 5 July. I have one or two points on the draft White Paper - mainly on the Authority's relationship with British Rail commuter services where I think we must keep our options open while still considering Serpell. I am letting Tom King have a separate note on these.

2. I am worried, however, by the implications of the statements about continuing levels of subsidy, and the promise Tom King understandably wishes to make about avoiding increases in the current general levels of fares.

3. I accept, of course, that the very high levels of subsidy now paid to public transport operators cannot be eliminated overnight. But it has always been understood that the central thrust of our policy is to reduce subsidy, and we have been extremely critical of the GLC in their disregard of the interests of ratepayers and taxpayers in pushing their grants way beyond the levels for which provision is made in PES, and over £100 million more than ^{the} levels which Department of Transport themselves accept as maxima in guidance issued under the Transport Act.

4. I cannot see, therefore, that it is either consistent or sensible for us to permit the new Authority to retain the present general levels of fares which have just been reduced by 25 per cent and which are clearly uneconomic. There is no PES provision for this. I hope therefore Tom can let us have quickly his proposals on finance. In the meantime, I do not believe we can reach final conclusions on the White Paper.

5. I am copying this minute to Cabinet, the Chief Whip, the Leader of the House and Sir Robert Armstrong.

PR

PETER REES

CONFIDENTIAL



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

QC NO

Rt Hon Peter Rees QC MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1

7 July 1983

Peter Rees

LONDON REGIONAL TRANSPORT AUTHORITY

My minute of 5 July to the Prime Minister with the draft White Paper on the LRTA draws attention to the problems we face on fares in London.

The present level of expenditure by the GLC is well in excess of the provision we have made in our public expenditure plans. I attach a note setting out the position. The new LT fare structure is a move in the right direction. An immediate cut in the subsidy on getting control of LT could only be achieved by increasing fares, which would be highly unpopular. Unless we can rule that out we give the political advantage to the GLC just at the time when the battle over abolition will be fiercest.

Setting up the LRTA is the key to abolishing the GLC. It will bring major savings in public expenditure in the longer term, both through abolition of the GLC itself and reducing the cost of public transport through increased efficiency and cost effectiveness. But we must face up to the transitional costs.

I should be glad if we could have an early word about how we resolve this problem.

I am copying this to the Prime Minister and Patrick Jenkin, and to Sir Robert Armstrong.

Tom King

TOM KING

CONFIDENTIAL

LOCAL GOVT Relations: Pt 15

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LRTA - RESOURCE IMPLICATIONS

The Problem

1. The LRTA's first full year of operation will be 1985-86. In the current year 1983/4 the GLC are spending much more than allowed for in the Government's expenditure plans and this could not be reduced quickly without very big fare increases. The GLC may well make matters worse before control passes to the Government in the second half of 1984. There will be a particularly difficult transitional problem in 1984-85.

The Present Position

2. The level of subsidy determined by the GLC for 1983-84, compared with provision, is as follows (£ million):

GLC subsidy	Allowance in DTp PES Provision	Protected Expenditure Level
<u>235</u>	<u>89</u>	<u>125</u>

3. Under the Transport Act 1983 the Secretary of State sets a Protected Expenditure Limit (PEL) for the public transport subsidies paid by the GLC and metropolitan county councils. This is statutory guidance on the amount which he considers appropriate and places the expenditure within the PEL beyond legal challenge. Authorities have discretion to spend more but they are at risk to challenge from ratepayers if they cannot justify the extra expenditure in terms of a proper and considered judgement of transport benefit, holding the scales fairly between the traveller and the ratepayer.

4. The PEL set for the GLC this year allows for a subsidy of £125m. The difference between the specific PES provision and the PEL was covered from the unallocated margin for local government current expenditure allowed for in Cmnd 8789. (In total the PEL's for the GLC and metropolitan counties involved a call of £140m on the unallocated margin).

5. The figure for the GLC would have covered LT's deficit for 1983-84 if fares had been held at their April 1983 level. But in May the GLC introduced a new zonal system with an overall 25% reduction in fare levels.

1985-86

6. When the LRTA is set up there will need to be a transfer of PES provision from local expenditure to the Department of Transport's own programme.

7. Under the Transport Act 1983 LT are required to submit a three year plan to the GLC. LT's subsidy proposals in their new plan, assuming that fares and wages are held constant in real terms, are as follows:

	£m cash	£m 1983 prices
1984-85	203	190
1985-86	196	175
1986-87	197	167

This plan involves a productivity increase of 8%-9% over three years with 5700 redundancies and additional cost-saving investment.

8. It is very unlikely that the GLC will adopt this plan. They may opt for further fares cuts or increases in services. So the LRTA may start from a worse position. It will probably not be possible for LT to start implementing their plan until the LRTA is set up.

9. It is too soon to say how much the actual transfer of PES provision will need to be. The proposals for capital investment, which apart from cost-saving items consists largely of renewals, will need to be examined in next year's PES round. But it is clear that current expenditure will be over £100m more than is allowed for in the Department's present PES provision, and could only be cut back by major fare increases.

It will probably not be practicable for the LRTA to take responsibility for subsidising BR commuter services until 1986-87. By that time much of the cost savings identified in the Serpell Report should have been achieved.

1984-85

11. There will be a difficult transitional problem in 1984-85. A PEL will have to be set in the autumn of 1983 for a full year, 1984-85, before the new legislation is enacted. Depending on the date of enactment and the phasing of the hand-over, the Secretary of State will effectively be in control of the LRTA for the latter half of the year. The PEL could therefore be taken as a statement of his intention as regards subsidy and fares when the LRTA take over. If it is maintained at the current year's level, it could therefore be taken to imply a return to pre May 1983 fare levels. A PEL at this level would need to be accompanied by a firm statement that the Government would provide the LRTA with sufficient resources from 1985-86 onwards to prevent it having to abandon the May 1983 fares strategy.

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C. N.O.

Prime Minister

Prime Minister

Please see the Chief

Secretary's minute (Flag A).

LONDON REGIONAL TRANSPORT AUTHORITY

Shall say you share the Chief

I must publish quickly our detailed proposals for a new London Regional Transport Authority, to allow time for consultations on the details before introducing the Bill this autumn. I attach a draft White Paper which I should like to publish in the week beginning 18 July.

Secretary's view at X, and

work forward

to Mr King's

The proposals follow those agreed by Cabinet in January this year (CC(83)1st).

revised proposals?

Although the GLC will campaign against us on the theme of local democracy, it is likely that they will continue to show by their actions that they cannot be trusted to give London Transport a sound basis for operation. I believe we shall be able to command wide support, although there will certainly be opposition. This will centre on concern about centralisation and the accountability of the new body, and that is why I have inserted a new proposal for a consultative council. We can listen to views on that, and take our final decisions when we come to the legislation.

MLS 8/7

I shall be in touch separately with the Chief Secretary about the financial prospects for the new organisation, and of course it is entirely possible that before we can get control, the GLC will have taken further steps to worsen the finances of London Transport. I shall however be challenged directly and quickly on whether the new organisation means increases in fares, and on that I believe that I must be

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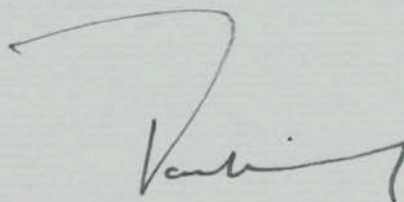
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able to say that I want to see common fares policies across the LT and BR services, and that with responsible direction and efficient operation I foresee no need whatever for real increases on the current general levels of fares.

This will mean that we shall not be able to make any immediate substantial reduction in levels of subsidy. We clearly must reduce the total levels of subsidy for London's public transport over the next four or five years. Both Serpell and Dr Bright have identified significant scope for savings. But the necessary redundancies and cost-saving investment will take time. If we cut subsidies right at the outset, the only option open to the new LRTA will be to raise fares substantially. This is exactly what the GLC will immediately claim we are planning to do and I must refute it right away.

I hope that colleagues can let me have by the end of this week any points on the text, and subject to those that I may be authorised to publish the White Paper in the week beginning 18 July, and that I may take the line on fares that I have set out above as part of the public presentation of the White Paper. I intend to discuss with the Chief Whip and the Leader of the House whether a written Parliamentary answer or an oral statement would be the best way of informing the House about our proposals. I enclose a draft on the lines I envisage.

I am sending copies of this to other members of the Cabinet, to the Chief Whip and the Leader of the House and to Sir Robert Armstrong.



TOM KING

5 July 1983



STATEMENT BY THE SECRETARY OF STATE
TRANSPORT IN LONDON

I am today publishing a White Paper setting out the Government's proposals for public transport in London as promised in our Election Manifesto.

The Select Committee on Transport concluded in their Report "Transport in London" almost exactly a year ago that in the interests not only of London but of the country as a whole a fundamental change was needed in the transport arrangements of the capital. This is what we propose. A new London Regional Transport Authority will be set up to integrate the planning and finance of public transport within London and the railway system that serves it from outside. [The Chairman of BR and LT have both welcomed this step as the necessary means for getting London's public transport on a sound long term basis.] The new Authority will seek more cost effective ways of getting the right services at the right price. A small board of people will be appointed with the necessary skills and experience to provide effective direction and management of this major undertaking. New financial arrangements will be established to ensure that public money paid to the Authority comes by a single route through my Department.

The new Authority will be accountable through me to Parliament and will be required to consult closely with those concerned during the preparation of its plans. A new consultative committee will be set up to consider these plans and to report on the effectiveness of London's public transport system.



Clearly we cannot leave these important undertakings in a state of uncertainty for a prolonged period of time. I therefore propose to bring forward legislation this autumn. Meanwhile wide-ranging consultations are beginning with those affected and I shall welcome any views and suggestions made to me about the details of the new arrangements.

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PUBLIC TRANSPORT IN LONDON

1. The organisation of London's public transport services needs major change. The system established in the 1960s has not worked well. Shifts in political direction at County Hall have deprived London Transport of stability and the chance to plan on a proper long-term basis. The system has become progressively shabbier. The services provided by the British Railways Board have been planned on a quite independent basis, though in many cases serving the same customers. And over the past two years, the users of London Transport have experienced in rapid succession dramatic cuts in fares, their doubling, then further cuts. The traveller and the ratepayer have had to pay for these experiments and for the high costs of the system, which have risen rapidly in real terms.

2. Pressure for change has built up over the years, but became overwhelming during and in the aftermath of the Greater London Council's "Fares Fair" policy. After many months taking detailed evidence, the House of Commons all-Party Select Committee on Transport in July 1982 published a report on "Transport in London". Their unanimous view was that the mechanisms for the political and financial control of London's public transport undertakings were inadequate.

3. They concluded that responsibility for public transport in London should be transferred away from the Greater London Council to a wider Metropolitan Transport Authority, which would secure co-ordination with the British Railways Board's services and a better deal for the consumer for the money available. The Government accept that the case for change is now compelling. This White Paper looks at the major defects of the present arrangements and puts forward proposals designed to ensure a better deal for the travelling public.

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London's Problems

4. The quality and performance of public transport in a capital city, especially one the size of London, has a crucial part to play in its general prosperity and the quality of people's lives. London is one of the largest areas of continuous urban development in Europe and one of the largest concentrations of urban population in the world. It is not only the centre of Government, but also the nation's centre of trade, commerce and tourism and the hub of the country's freight and passenger transport system. The efficiency of its transport system affects not only the prosperity of London itself, but economic life in the country as a whole.

5. As the Select Committee noted:

"The adequacy, or otherwise, of London's internal transport arrangements is therefore a matter of national, as well as local, importance. Quite apart from considerations of national pride, Britain cannot afford to allow the essential and vital functions of its commercial and transportation capital, and its seat of Government, to be less than fully efficient. The rest of the country may well resent the cost, but cannot resist the logic, of the need for a determined national effort to relieve the crisis which faces London's transport system, and to ensure that standards of mobility and access at least begin to compare favourably with those in our other major conurbations and in major conurbations overseas." (Select Committee Report: paragraph 2.7).



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6. The complexity of transport movements and requirements in London are on a scale quite different from anywhere else in Britain. The travel-to-work area spans 80 miles, a large part of it densely built up. While most journeys take place by car - over 9 million trips in the area each day - public transport also plays a fundamental role. Every working day some 7 million journeys are made on London Transport and British Rail services in the London area, over half of them to and from work. London's Underground system, the largest of its kind in the world, caters for some 500 million journeys a year on a network of 240 route miles. The British Railways Board's London and South East sector handles over 400 million journeys a year, well over half of all British Rail passenger journeys, on a network of over 2000 route miles serving a population of 17 million. London Transport's bus operations cover more than 1,700 miles of road and cater for over 1,000 million journeys a year. London Country Bus Services provide bus and coach travel for a further 25 million journeys annually within Greater London. And London's public transport system is particularly important for the tourists who make 120 million trips on the buses and Underground each year.

7. This huge and complex system requires effective co-ordination of the different public transport services and effective management. The present responsibilities and financial arrangements serve neither well. The main providers of public transport in the area, London Transport and British Rail, between them employ more than 100,000 staff and their combined costs in 1982 were some £1,550 million, more than one-third paid for through subsidy. Despite the fact that they share the task of meeting Londoners' travel needs and that a large proportion of their customers make use of both systems each day, there has been little co-ordination between the objectives of the two operators, between the allocation of resources on the two systems or on the fares and service levels of each.

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8. A basic reason for this is that since 1969 London Transport have been answerable to the Greater London Council, who have appointed the Board, set the requirements and provided subsidies, partly from the rates and partly from the money made available from central Government through Rate Support Grant and Transport Supplementary Grant. The commuter services of British Rail on the other hand are provided by the British Railways Board as part of the Public Service Obligation (PSO) which covers the whole passenger railway throughout Britain. The policies on fare structure, service level and quality and investment priorities are determined by the British Railways Board within their financial duties and constraints. The British Railways Board is in turn accountable to the Secretary of State. The PSO grant which he determines after consultation with the British Railways Board includes some £280 million in respect of their London and South East services.

9. This divided responsibility is one of the major reasons why the fundamental issues of integrating the systems have never been adequately tackled. But even within each of the systems the customer has not been served satisfactorily. Effective management is particularly important at a time when public transport is facing the difficulties created by wider economic and social change. Total demand for public transport in London has been declining for the past thirty years. People and jobs have moved out of central London to the suburbs and beyond, causing a major redistribution of travel demand which the traditional networks of public transport services fit only partially. Rising incomes have led to soaring growth in car-ownership, which in turn places great demands on the road system and has drastically cut the use of public transport. Between 1971 and 1981 the number of private cars and vans licensed in London rose by 15%, while the population of Greater London fell by 10%. Travel on British Rail London and South East



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services remained fairly steady, but that on buses fell by 27% and on the Underground by 17%. Even so, public transport still accounts for over a third of all vehicular journeys by London residents and is a normal means of getting to work for half of those working in London - a very different picture from other major cities in Britain, with travel to work by public transport now accounting for only a quarter of such trips.

10. Coping with such fundamental changes in use requires great management skills and a readiness to respond by adapting patterns of provision and rigorously containing costs. The difficulties of London Transport have been compounded by failure for many years to control unit costs, to change services to suit different patterns of demand and to concentrate resources on key investment and refurbishment. Between 1970 and 1982, unit costs rose in real terms by over two thirds per bus mile and nearly 50% per Underground train mile. Staff levels, which account for over two-thirds of costs, remained virtually static while demand fell. The total amount of grant paid annually to London Transport rose from £6.5 million to nearly £370 million. This represents a thirteen-fold rise after allowing for inflation. Despite this, fares almost doubled in real terms. So the taxpayer, the ratepayer and the farepayer have all had to dip deeper into their pockets to pay for the massive real increase in the cost of running London Transport.

11. While costs have risen and swallowed up resources, investment has suffered. The poor quality and decay of the London's transport system have made their own contribution to its declining use. The Select Committee concluded:

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"London's entire public transport system is in need of a face-lift, to improve the reliability of services, the cleanliness and comfort of the services provided, and the ease of movement between one service and another. Although every effort should be made to keep fares to a minimum, all the evidence we have received, and the experience of major conurbations overseas, suggests that the level and quality of service, rather than price, is the major factor in persuading travellers to transfer to public transport." (Ibid: paragraph 5.50).

12. The Select Committee's critical view extended over the services provided by the British Railways Board as well as those of London Transport. Public complaints of rising costs and deteriorating services on the London and South East commuter services had already led to an examination by the Monopolies and Mergers Commission in 1980. Their report drew attention to the scope for increased productivity, efficiency and cost control, the importance of matching supply and demand and the need for clearly defined objectives. Draft objectives were published by the Government in 1981, but this process was quite independent of the goals being pursued by the GLC, reflecting the different lines of responsibility and the different views of the priorities for the separate London Transport and British Rail systems.

A New London Regional Transport Authority

13. The Government share the view of the Select Committee that new and better arrangements for London to deal with these fundamental defects are imperative. They therefore propose to establish a new London Regional Transport Authority. They accept the first recommendation in the Committee's report that:

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"Central Government should henceforth regard the improvement of transport facilities in London as a matter of national priority. Unless the Government is now prepared to recognise the size of the transport problems faced in London, and is prepared to take the lead in resolving these problems, the capital could well face continuing decline and become increasingly unattractive to commerce and increasingly unattractive as a place of residence and as a centre of work, entertainment and tourism". (Ibid: paragraph 2.15).

14. This recommendation embraced a much wider field than public transport on its own. The Committee had also found the way the GLC had discharged their responsibilities on roads and traffic management profoundly unsatisfactory and concluded that a major re-allocation of responsibilities was now needed. The Government share this view. But they believe that the size, complexity and importance of London's public transport are such that the task of co-ordinating it should form the sole remit of the new London Regional Transport Authority. Preparation of public transport plans, the setting of objectives and the allocation of resources will all have to be considered in the context of the wider economic and social aims for the capital. They will also have to be compatible with the land use strategies for London, and there will be co-ordination with the planning process to secure this. But the principal purpose of the new body will be to develop coherent, comprehensive and efficient public transport for London, securing services that cater properly for the capital's needs. Reallocation of road and traffic responsibilities will

CONFIDENTIAL

form part of the wider set of arrangements that will follow on the abolition of the GLC and the Metropolitan County Councils. Proposals on this, and on the overall strategic planning arrangements for London, will be set out in a White Paper later this year.

15. The Select Committee noted the difficulty of constructing arrangements that adequately met all the criteria that such a system should ideally have. The Annex to this White Paper sets out the basic features the Government propose for the new Authority.

16. First, the arrangements must look much more widely than the present boundaries of the GLC if they are adequately to reflect the way London's public transport needs are actually met. But they must not infringe the responsibilities of the County Councils surrounding London to plan for transport in their areas. To designate a specific geographical area outside London's boundaries would create many difficulties. Instead the new Authority will cover comprehensively the public transport provision in the area of the present GLC together with those services of the British Railways Board that carry London's commuter traffic, in many cases from well beyond London's boundaries. They will also cover the services of London Country Bus that serve the capital.

17. Second, the new arrangement must bring the planning of the services of British Rail and London Transport together in a very real sense. It must integrate with the rest of public transport provision that part of the grant paid to the British Railways Board that is specifically attributable to commuter services, policies on fare structure and service quality and determination of investment priorities according to the needs of London and its region. This will be made easier by the recent introduction by



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the Board of a separate business sector for the London and South East services, giving clear accountability for what is being achieved and what cost is involved. The Authority will decide how much grant to pay to this sector of the railways, on the basis of the plans prepared for London services as a whole, reflecting the service levels and fares structure they consider appropriate.

18. The Authority will provide a comprehensive public transport framework by drawing up three-year rolling plans covering all the public transport services of the area. It will be able to enter into agreements with the operators who supply the services, both the existing ones and others who may seek to meet identified needs. In doing so it must ensure that needs are met as cost effectively as possible. It will need to consider buying in a wide choice of services from independent operators and encouraging the private provision of services where appropriate. It will decide the allocation of subsidy between the operators and sanction appropriate investment within the resources made available and on the basis of its three-year plans approved by the Secretary of State for Transport. Because it will have responsibility for all London's public transport it will be able to seek the most effective mix and apply pressure and resources for change where that is needed. It will be responsible for setting and monitoring policy objectives and performance targets, for rationalising rail and bus services, for levels of service and quality of provision and for the general level, structure and consistency of fare scales. It will also be concerned with transfers of services between the major operators where this will achieve a better provision for the traveller within the resources available. It will for the first time secure real integration of the system.



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19. Third, the new arrangements will put the funding of the capital's transport on a more effective and coherent basis. The Government believe that the features of public transport in London are such that a special set of financial arrangements is needed. There will no longer be a local authority precept to supply part of the finance. Subsidy will instead come by the single route of authorisation by the Secretary of State for Transport. This rationalisation of the subsidy regime for all London's public transport services will lead to greater stability. Because it will apply right across London's public transport services it will also give new discretion for resource allocation within the overall financial ceiling.

20. Part of the cost of public transport subsidies throughout the country has traditionally been borne by ratepayers. The new financial arrangements for London as described in the Annex therefore will seek to reflect this present basic approach even though there will no longer be a direct GLC precept. At the same time it will remain the responsibility of local authorities to pay directly for special travel concessions for the elderly and disabled people financed by the relevant combination of rates and Central Government grants. It will also be open to individual authorities to make further more limited payments to the Authority if they wish it to provide a specific local transport service not covered in its annual plan.

21. These specific features of the new arrangements for London - the wide area covered, the association of the responsibilities for setting objectives and providing financial support for public transport, and the direct funding by Central Government of the investment and revenue support requirements of the new Authority - in themselves help to define the appropriate form of the Authority and its relationship with the operators. The management of this substantial undertaking will need a Board of



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experience and ability to plan and allocate resources right across the system; and to ensure that services are provided by those who do so most effectively. In the period immediately after enactment of the legislation, its nucleus will be the existing London Transport organisation, but it will be required thereafter to establish its bus and Underground operations in separate subsidiaries, thus creating a clear "arms-length" relationship between the Authority and the public transport operators from whom it "buys" its services.

22. The Authority will be funded directly from Central Government and its duty will be to cater for the public transport needs of the area as a whole. The Government believe the right course is to have a small appointed Board of people with the necessary skills and experience to provide the effective direction and management of this important undertaking. The Government considered whether the Board should consist of elected members from the authorities concerned. But the area where the Authority will have responsibilities ranges over 32 London Boroughs and the City and some 15 adjacent counties. Moreover the proper functioning of public transport in the nation's capital is of real interest to very many people even beyond these authorities. There are therefore clearly major difficulties in establishing a truly representative and yet effective Board of elected members. For this reason the Government have decided to propose the establishment of a small appointed Board.

23. This does however raise the important issue of accountability. It is clear that the Authority must be fully accountable for its plans, for its claim on national resources and for its standards of service. This will be achieved in three ways. First, it will be fully accountable through the Secretary of State to Parliament. Second, it will be required to consult closely during the preparation of its plans with those concerned

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with London's economic, planning and social needs. Third, it will be required to work closely with a new London Regional Transport Consultative Committee, a statutory body which will be set up to represent passengers, local authorities and industrial and commercial interests.

The Next Steps

24. The new Authority will have five urgent tasks:

- to establish a comprehensive plan to provide better transport for London; and in particular
- to integrate fares and different public transport services, both to cater more satisfactorily for the existing traveller, and to attract more people onto public transport;
- to promote greater involvement of private enterprise in order to extend the variety of services available to travellers and to make greater use of publicly-owned assets;
- to promote better management through smaller and more efficient units, with clear goals and measurable objectives;
- to secure better value for money from fares revenue and the public subsidy being provided by the taxpayer.

25. The Government believe that establishment of the framework to secure an improved public transport system is now urgent. This White Paper has therefore been published at the earliest opportunity as a basis for consultation. Legislative proposals



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will then be brought forward this autumn. It is important not to leave planning for London Transport in a state of uncertainty for any prolonged period of time. The principles on which the Government intend to proceed are clear, but there are many detailed aspects on which the Government will wish to have the views of those concerned - the operators, the London Boroughs and authorities bordering London, those who work on public transport and the consumer. The Government are therefore inviting the views of interested parties as soon as possible, so that they may take them into account, both in framing the final details of the legislation and in agreeing with those concerned the detailed arrangements associated with setting up the new Authority and rolling forward plans for an efficient, effective and convenient system for London.

THE LONDON REGIONAL TRANSPORT AUTHORITY

Nature of the LRTA

1. The LRTA will be responsible for the strategic oversight of London's public transport. It will comprise a small Board, say up to 12 members, appointed by the Secretary of State. Its members will be drawn from those with appropriate skills or experience.
2. The responsibilities of the LRTA will extend to the major public transport networks which serve London and its commuters. These are the London Transport bus and Underground services; those services of London Country Bus which operate partly within the Greater London area and are now supported by London Transport; and the British Railways Board's London commuter network. The precise geographical area covered will thus be different as between bus, rail and Underground.
3. The British Railways Board's London and South East sector covers a wide area including 15 counties around London, in which commuters represent some 60% of the sector's passengers. Initially the LRTA will deal with the sector as a whole, but the possibility of adjusting the definition of the network for which the LRTA is to provide support will be examined.

How the New System will be set up

4. The new system will be established in three stages:
 - (i) at the first stage, immediately after the enactment of the legislation, a Board will be appointed by the Secretary of State for Transport, responsible for the assets, liabilities and staff of the London Transport Executive, which will be reconstituted as the LRTA with powers and duties appropriate to the new body;
 - (ii) at the second stage, at an appointed time, the London Transport Underground (including the Docklands Light Railway) and bus operations will be established as subsidiaries of the LRTA;

(iii) at the third stage, at a further appointed time, the LRTA will take on responsibility for providing financial support for the British Railways Board's London commuter network, within its overall plans for public transport in London.

5. The establishment of the bus and Underground subsidiaries will be facilitated by the London Transport Executive's existing structure, in which the Underground and bus businesses are separately identified and managed. But the LRTA will need to examine the scope for further division of the operations in the interests of improved efficiency. The bus and Underground subsidiaries will have power to divide their operations into further subsidiaries, and this will be particularly relevant to the bus business. The LRTA will be able to dispose of any of those further subsidiaries, subject to its duty to secure economic and efficient public transport in London within the resources available to it and subject to the consent of the Secretary of State.

6. It is envisaged that the London Transport Executive's existing assets and liabilities will pass to the LRTA at the first stage. The treatment of liabilities incurred by the GLC in the form of accumulated borrowing in respect of capital grants to the London Transport Executive will be determined in the context of decisions on the GLC's debt generally

7. The assets and liabilities which the Authority inherits from the London Transport Executive will be assigned between the parent body and its subsidiaries at the second stage as appropriate. As far as possible existing staff of the London Transport Executive will continue to be employed within the LRTA and its relevant operating subsidiaries under the same terms and conditions of service.

Finance

8. The Secretary of State for Transport will determine the amount of the grant to be paid to the LRTA for each year. He

will do this in the light of the public expenditure plans for transport over the country as a whole for the year in question. The allocation of funds to the LRTA will be based on a three-year plan rolled forward each year in the light of advice by the Secretary of State on the general levels of grant likely to be available over the relevant three-year period and guidance on relevant national policies. The plans will be accompanied by estimates of the cost of services and facilities described; the level of demand for the services; and the benefits to potential users.

9. The LRTA will have power to provide financial support for both investment in and operation of public transport services in and around Greater London provided by the British Railways Board and by its own subsidiaries; and within Greater London by other operators. It will also have power to sanction borrowing by its subsidiaries for approved purposes. Its funds will be provided by the Exchequer and it will be given an external financing limit (EFL) covering both its Exchequer grant and the total borrowing it will be able to sanction.

10. At present the GLC precepts on the London Boroughs for the ratepayers' contribution towards the cost of London Transport, and discussions will be held about the bridging financial arrangements while the new Authority is being established. When the GLC ceases to be responsible for London Transport, ratepayers in the London Boroughs will no longer contribute in this way. To maintain the relative position between London ratepayers and those elsewhere who continue to contribute directly to the financing of their public transport services, an appropriate reduction will be made in London's rate support grant. Consultation will take place with local government representatives about the mechanisms to be adopted within the Rate Support Grant system.

11. Local authorities in whose areas the LRTA's own services operate will be able to enter into agreements with the Authority to buy additional services and to finance travel concessions. The Government will consult representatives of the London Boroughs on the development of a joint scheme to be operated when the Boroughs take over responsibility for concessionary

fares for the elderly from the GLC.

Relationship with the British Railways Board

12. A transfer of the Secretary of State's responsibilities for the British Railways Board's commuter services has been assisted by the Board's appointment of a Director for the whole of the London and South East sector. In order to discharge its overall responsibilities, the LRTA must be in a position to decide, within the overall resources at its disposal, the appropriate level of support and investment by the London and South East sector. It will set the objectives for the commuter services and monitor their achievement. Objectives will include fares policy and levels of services and closer integration between the London and South East sector and the Underground network.

Consultative Body

13. A new statutory body, the London Regional Transport Consultative Committee (LRTCC), will be set up to represent regional, local and consumer interests to the LRTA. Members of the LRTCC will be appointed by the LRTA after consultation with the Secretaries of State for Transport and for Trade and Industry and will include representatives of passengers, of local government, commerce and industry. The LRTA will be required to consult the LRTCC during the formulation of the Authority's annual three-year plan prior to its submission to the Secretary of State. The LRTCC will take the place of the London Transport Passengers Committee. The consequences for the arrangements for representing the consumer interest in passenger services not supported by the LRTA will be the subject of detailed consultations.

Bus Licensing

14. At present local bus services may be operated in Greater London only by London Transport or with their agreement. Road service licences are not required for such services. The LRTA

will be responsible for approving services and changes in services by its own subsidiaries and by other operators who have entered an agreement to provide services for the LRTA. Road service licences will still not be required for these services. But operators who wish to run bus services in Greater London without entering an agreement with the LRTA will be able to apply for road service licences from the Traffic Commissioners. These arrangements will avoid the bureaucratic procedures which would be entailed if all services in Greater London were brought under the control of the Traffic Commissioners, while providing for the licensing of competing bus services under the same conditions as apply in the rest of Great Britain.

Rail Closures

15. As the LRTA will have financial responsibility for the networks, it will also be responsible for considering closures proposed by its Underground subsidiary or by the British Railways Board. Where there are objections to a proposed closure, the LRTA will be required to follow a statutory procedure, which will include a requirement to consult the LRTCC and a provision for objections to be heard in public. The final decision will be taken, as now, by the Secretary of State.