

CCP



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

The Rt Hon John Wakeham MP  
Lord President of the Council  
Privy Council Office  
68 Whitehall  
LONDON  
SW1A 2AT

NBPM

Recc

19/5

19 MAY 1988

### PRIVATISATION OF LOCAL AUTHORITY BUS COMPANIES

In my letter of 29<sup>on flag</sup> April to Nicholas Ridley, I suggested that the coverage of his Bill regulating local authority involvement in companies should be extended to include the legislative proposals which I had earlier made for the privatisation of local authority bus companies - as you will recall, no room could be found in the legislative programme for a Public Transport Bill which would have contained inter alia these highly desirable provisions. In his minute of 13 May to the Prime Minister, Nicholas Ridley expressed his support for including my proposals in the Housing and Local Government Bill in the next Session, but rightly pointed out that this was primarily a matter for you and QL colleagues. I am therefore writing to you to set out the situation.

As I made clear in my minute and enclosure of 19 February to the Prime Minister, the present position of the 40-odd bus companies owned by the English Passenger Transport Authorities and District Councils is highly anomalous in a deregulated bus market and after the sale of the NBC subsidiaries, and it gives rise to competitive problems. The measure that I propose would increase competition and remove from local authorities an activity which there is no reason for them to perform. It would also offer a £200m saving to the PSBR through increased capital receipts.

Informal soundings of our backbenchers indicate that the measure would be popular among them. Moreover, while it would doubtless be opposed on principle by the Opposition, the indications are that the Passenger Transport Authorities in particular are beginning to find their role as shareholders in bus companies sits uneasily with their policy role on public transport, and that even many Labour-controlled local authorities would privately not be averse to disposing of their bus companies.

The legislative provisions needed should be fairly simple. Although an assessment of 15 to 20 clauses was made at an early stage, this was when I envisaged the possibility of including the privatisation of local authority airports and possibly ports. Our latest assessment is that probably about 10 clauses would be needed. I have in mind provisions under which local authorities would be required to submit schemes for disposal by deadlines set by the appropriate Secretaries of State; these schemes could then be approved or modified and fresh deadlines would be set thereafter for the implementation of the schemes. This procedure would provide for flexibility to cope with cases where unprofitable companies were difficult to dispose of, and should also mitigate opposition to the measure. In addition, there would be powers to require the splitting before sale of the larger companies. The legislation would also lay down general principles to be applied to the disposals, similar to those set out in relation to the sale of the National Bus Company.

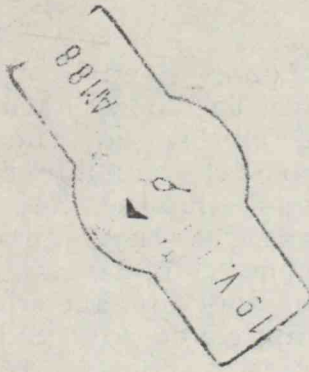
You will have seen from Malcolm Rifkind's paper E(NI)(88)7 that he is keen to take enabling powers to privatise the Scottish PTCs in his Bill on privatisation of the Scottish Bus Group. It would be extremely odd if such powers were taken for the Scottish PTCs and not for the English (and Welsh) ones. As I said in my letter of 18 May to Malcolm Rifkind, one possibility would be to include the English and Welsh together with the Scottish PTCs in Malcolm Rifkind's Bill. The same clauses could deal with the privatisation of PTCs throughout Great Britain, since there are no great differences between their situations. It would seem to make little sense to provide for the privatisation of the different PTCs in different Bills.

To sum up, seen from here my proposed provisions would fit equally well into either Nicholas Ridley's Housing and Local Government Bill or the Scottish Bus Group Bill. You and QL colleagues as well as Malcolm Rifkind will doubtless have your own views on which is the better vehicle. I would stress, however, that this is a measure to which I attach considerable importance; which is relatively simple; and which should not cause any major political problems. I do therefore urge strongly that we should not lose the opportunity to include it in one or other of these Bills.

A copy of this letter goes to the Prime Minister, members of QL and E(LF), and Sir Robin Butler.

*Paul*  
PAUL CHANNON

LOCAL GOVT: elections pt 35



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DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

My ref:

Your ref:

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

file with PC

29 APR 1988

Dear Nicky,

PCG  
4/5

REGULATING LOCAL AUTHORITY INVOLVEMENT IN COMPANIES

PP2

I strongly support your proposals. They will bring those companies which genuinely can be run on a commercial basis into line with the position of local authority Public Transport and Airport Companies under the 1985 and 1986 Acts respectively and prevent the use of companies to evade proper control and accountability.

file with PC

See file below at flap X

You draw attention to the value of local authority companies as a step towards privatisation of suitable activities. Public Transport Companies are clearly in this position and facilitating privatisation where feasible would be a logical extension of the coverage of the Bill you propose. I would like to propose therefore, that its coverage should be extended to include the legislative proposals I made on 19 February. You will recall that no room could be found in the programme for a public transport bill containing these highly desirable provisions. The required provisions should be relatively simple and the indications are that privatisation of local authority bus companies would be strongly welcomed by the Government's supporters as a feature of the bill you are now proposing.

I am copying this letter to the other members of E(LF), the Attorney General, Sir Robin Butler and First Parliamentary Counsel.

*[Handwritten signature]*

PAUL CHANNON

*[Handwritten signature: Paul]*

Lillian Galt: Relations

1935





SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

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

18 May 1988

*MBM*  
*REC 6*  
*18/5*

*Dear Nicholas,*

**REGULATING LOCAL AUTHORITY INVOLVEMENT IN COMPANIES**

I have seen a copy of Paul Channon's letter of 29 April to you in which he suggests extending your proposed Bill to include provisions to privatise the Public Transport Companies (PTCs). *at large?*

As you know, I have a great deal of sympathy with the principle of Paul Channon's proposal and I am considering including powers to privatise the Scottish PTCs (of which there are four) in next session's legislation to privatise the Scottish Bus Group. Obviously however I would want to move in step with whatever happens in England and Wales and I therefore strongly support the proposal which Paul makes in his letter.

I am sending copies of this letter to Paul Channon, other members of E(LF), the Attorney General, Sir Robin Butler and First Parliamentary Counsel.

*Yours ever,*  
*Malcolm Rifkind*

**MALCOLM RIFKIND**

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