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Prime Minister ②

To note. I do not think
Government is required to underwrite
any particular section of the capital
goods / investment sector. I suspect
much of the decline in construction
is due to completion of the motorway
network

My ref:

Your ref:

11 JAN 84

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Dear Peter,

AT 12/11

Your Private Secretary circulated draft texts of the public expenditure White Paper on 10 January. I have made a few detailed drafting comments which have been conveyed to your Department at official level, which I hope can be taken on board.

You drew attention to the new Table 1.13. I welcome this new presentation of the total picture on capital expenditure including construction expenditure and expenditure on capital equipment. But I think you should be cautious about the interpretation of it. It may be true that total capital expenditure has remained level in cost terms over the past five years. But within this, construction expenditure has declined by some 25% to 30%. Although expenditure on equipment eg in the Defence field has grown substantially over the period this will not be regarded as an adequate offset either by the construction industry or by those concerned about the state of the public infrastructure.

I was also interested to see Arthur Cockfield's letter about Table 1.13. I was myself happy to see this Table presenting the gross capital expenditure figures since this is what is most directly relevant to meeting needs in the various programmes, and to the level of public sector work for the construction industry. The convention which Treasury are often obliged to follow elsewhere in the White Paper of presenting net figures (ie gross capital expenditure net of receipts) often gives a very misleading impression of the scale of programmes that are supported by a large volume of receipts, particularly the housing programme. We would therefore be glad to see more rather than less use made of gross figures in future, where these are relevant. Meanwhile, however, I would not of course object to including some explanation in the text about Table 1.13 on the lines Arthur Cockfield suggests.

Finally I very much support the point Arthur Cockfield makes about the need to establish better information about the state of the capital stock in the public sector, and whether we are doing enough to keep it in good condition. This will of course be a central theme of the current NEDC study of the built infrastructure and of the interdepartmental group which we have recently agreed to establish to liaise with that study. So far as the present White Paper is concerned we need to underline the importance

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of repair and maintenance expenditure maintaining the capital stock and one of my drafting suggestions has been to include a reference to the level of expenditure on repair and maintenance in the commentary on Table 4.5.

I am copying this letter to Cabinet colleagues.

Your ever
Pat

PATRICK JENKIN

Elon Pol:

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19 JAN 1984

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