

PRIME MINISTER

BURDEN OF REGULATION: TRANSPORT

Mr. Ridley was not at the September Seminar which suggested that regulation in the field of transport should be looked at. I commissioned separately a note from him identifying where in the transport field there was still extensive regulation and what might be done to reduce it.

His response is set out in the attached minute. You have agreed that Departments should be asked to conduct a Rayner-type scrutiny of regulation within their areas of responsibility. This, in effect, represents a first instalment from DOT. At present it does not go much beyond being an agenda and in the absence of specific proposals I do not think it would be worthwhile for you to hold a meeting.

I suggest, therefore, that I minute Mr. Ridley thanking him for his paper and asking him to pursue his proposals ^{vigorously}, reporting back to E(A) as soon as possible.

M. M. M.

AT



10 DOWNING STREET

From the Private Secretary

19 December, 1983

Burden of Regulation: Transport

BF
The Prime Minister was very grateful for your Secretary of State's report on the scope of regulation in the transport field and the action which he proposes to take to reduce it. She hopes that these issues will be pursued vigorously and looks forward to seeing proposals brought forward in the near future. These can be dealt with either through correspondence or through the normal Cabinet machinery.

I am copying this letter and your Secretary of State's report to Sir Robert Armstrong (Cabinet Office).

ANDREW TURNBULL

Miss D. A. Nichols,
Department of Transport

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DEPARTMENT OF TRANSPORT
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Andrew Turnbull Esq
Private Secretary
10 Downing Street
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14 December 1983

Dear Andrew,

THE BURDEN OF REGULATION

Thank you for your letter of 25 November about the Prime Minister's wish to see a reduction in the burden of regulation on the economy. This is an objective which is strongly endorsed by my Secretary of State.

Regulations affect the different forms of transport in different ways. A good deal has already been done to reduce, streamline or update them.

- (a) Buses There are two sorts of regulation: safety and economic. Safety regulation applies to operators (as a check on competence and maintenance standards) and to vehicles. Economic regulation applies to the volume and nature of services offered and, for buses, applies to routes. Since 1979, economic regulation of coach services has been ended, and there is now a presumption in favour of awarding route licences to new operators, and route licensing has been abolished in a number of trial areas.

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(b) Civil Aviation is also subject to both safety and economic regulation. The Civil Aviation Authority (CAA) is responsible for safety regulation and for policy on licensing of British airlines, which was removed from Ministerial direction in 1980. Following an appeal decision to allow increased competition with British Airways on London - Scotland routes, the CAA have been taking a more liberal approach to licensing decisions. We are working for liberalisation of air services within the European Community (EC) and our airlines should benefit from the Directive on inter-regional air services which is the first agreed step in that direction.

(c) Lorries are not subject to economic regulation, except for quota constraints on international freight; we have called for the abolition of these. Lorry depots are subject to planning controls. Safety regulations apply to vehicles, to operators to ensure competence and standing of operators (being simplified following a Rayner scrutiny, but legislation is required to complete the process), and there is EC regulation of drivers' hours (we have been pressing for clearer, simpler rules).

(d) Shipping Safety regulations reflect international conventions; our legislative bid for 1984/85 includes measures to simplify and update Victorian legislation. There is little economic regulation, but the Government is proposing to accede to the UN Convention on a code of conduct for liner conferences. These are

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private cartels and shipping is exempt from UK Restrictive Trade Practice legislation, although not in principle from the competition rules of the Treaty of Rome (a regulation applying these is in draft).

(e) Motoring No quantity regulation except for parking, but extensive regulation for safety reasons. This is kept under review for simplification, updating, and removal of rules no longer appropriate.

(f) Access to roads from new developments. Highway authorities can advise and in some cases direct local planning authorities on planning applications involving new accesses to roads. Except for trunk roads, this is a matter for local authorities. For trunk roads, the Department would normally intervene only for safety reasons on high speed routes, or where there might be serious interruption of traffic flows, but we are currently looking at whether there is scope for reducing this.

My Secretary of State's policies for further reducing the burden of regulation are as follows:

(a) Safety regulations are important - for the safety of vehicles (or planes or ships) and the competence of those operating them, and for special matters like the carriage of dangerous goods. But we need to keep them under review to ensure that they are as up to date and as simple as possible. International law and

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agreements and the need to amend UK legislation can limit our freedom in this. Nonetheless there is plenty of scope for action:

- we have recently sought views on our proposal to increase the speed limit for lorries on dual carriageways. The result could be a considerable reduction in cost to lorry operators and those using them.
 - we are bidding for legislation in the next session to revise archaic merchant shipping law and to greatly simplify the complicated regulations affecting minibuses.
 - my Secretary of State also hopes to consider with the Home Secretary the case for a basic review of road traffic law with the object of producing a simpler structure which the private motorist would find easier to understand and more relevant to what he sees as serious traffic offences.
- (b) Economic regulation principally affects buses and civil aviation, as summarised in paragraph 2. Plans for simplifying and reducing it are among our highest priorities, though there are constraints:
- regulation may be needed to control the use of infrastructure where demand exceeds capacity and where international law precludes free use of pricing mechanisms (e.g. at some airports);

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- international air services are difficult to deregulate because of the need for agreement of other countries and the possible impact on UK airlines of competition with subsidised airlines from other countries (or with the market power of some US operators);
- it may also be needed to balance the monopoly power of operators (so that it can be reduced only as effective competition can be introduced);
- some form of control (perhaps in the form of franchising) may be needed where subsidy is being paid in an otherwise deregulated market, to ensure that subsidy is kept to a minimum.

For buses, we aim to make substantial progress in deregulation and extension of competition outside the conurbations, although this will need to be kept in step with restructuring of the NBC and of municipal bus undertakings. In the conurbations, bus operations are more complicated and we need (and are planning) further study of how best to introduce greater competition. Our aim is to have policy clear in time for legislation in the next session, for which we have bid.

On civil aviation, you will know that my Secretary of State mentioned, in the course of his statement in the House on 12 December about British Airways, that the CAA would be reviewing the implications of privatising BA for its responsibilities for licensing and for the sound

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development of the British airline industry. The CAA Chairman has made it clear to us that this review will necessarily embrace the potential for liberalising the licensing of air services.

Yours,

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MISS D A NICHOLS
Private Secretary

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the Economy : Nov 82

The development of the private sector
has been a key to the growth of the
economy. It is essential for liberalizing the
activities of individuals.

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New file?



10 DOWNING STREET

From the Private Secretary

25 November 1983

The Burden of Regulation

The Prime Minister has been considering the efforts which the Government is making to reduce the burden of regulation on the economy. As part of this general exercise, the Department of Trade and Industry is conducting a review of regulation as it affects small firms. The Department of the Environment is looking at the planning system and what can be done to speed up the processing of planning applications.

In the transport area, the main issues seem to arise in the regulation and licensing of buses/mini-buses. When your Secretary of State came to see the Prime Minister he said that he would be examining this whole complex of issues. There may also be other areas e.g., internal air travel, where regulation is still exerting a restrictive influence.

~~BT~~ The Prime Minister would be grateful if, as a first stage, your Department could prepare a note identifying where in the transport field there is still extensive regulation and what might be done to reduce it. In the field of buses, the Prime Minister would be interested to know how your Secretary of State proposes to go about the major review he has in mind. I would be grateful if this note could reach me by 15 December.

I am copying this to John Kerr (HM Treasury), Callum McCarthy (Department of Trade and Industry), John Ballard (Department of the Environment) and to Richard Hatfield (Cabinet Office).

Andrew Turnbull

Miss Dinah Nichols,
Department of Transport.

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