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NSM

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The Rt Hon Sir Keith Joseph Bt MP
Secretary of State for Education
and Science
Department of Education and Science
Elizabeth House
York Road
LONDON SE1 7PH

24 July 1984

Dear Keith

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Thank you for your letter about the funding of LRT. I wonder whether there is some misunderstanding about the position? I will deal with your points in the order you make them.

There is no question of our going back on a judgement we have made about the appropriate level of support to LRT. It was made quite clear to the Local Authority Associations that £125m was a purely illustrative figure as Ministers had not yet decided this issue. It is now agreed that the figure should be £132m. This is a reduction of £64m over last year.

The same applies to the AEG reduction. In fact the amount of the AEG reduction will not be discernible by the Associations because Patrick Jenkin will be announcing the AEG in such a way that it will appear to have been determined from consideration of relevant expenditure net of the LRT adjustment.

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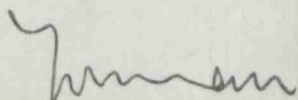
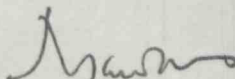
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Londoners have never paid the full costs of LT support. The Exchequer has paid part through TSG and until recently also through RSG. Ratepayers will continue to contribute up to two thirds of the cost of support to LRT through the levy which the London Regional Transport Act empowers the Government to collect.

Our general policy is that support for public transport should be progressively reduced by increasing efficiency and better tailoring services to demand, so reducing unit costs. Fares should be increased where they are unrealistically low - the arch-case being South Yorkshire - and to keep them in line with prices generally. I am sure our supporters in London would not consider the present level of fares in London is unrealistically low, though my plans do envisage increasing them by somewhat more than the rate of inflation at the beginning of next year.

There is certainly scope for trying to adjust the fare structure in a way which mitigates the impact of an increase. However I will certainly be asked directly about the overall percentage rise and there is no way of hiding it. The increase will have to be announced in the autumn and we shall be creating needless political difficulties if we end up with a fare rise which cannot be justified against what I said during the passage of the Bill.

Copies of this letter go to the Prime Minister, the members of E(NI) and E(LA) and to Sir Robert Armstrong.

NICHOLAS RIDLEY

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24 JUL 1964



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DEPARTMENT OF EDUCATION AND SCIENCE

ELIZABETH HOUSE, YORK ROAD, LONDON SE1 7PH

TELEPHONE 01-928 9222

FROM THE SECRETARY OF STATE

17 July 1984

Mr Nicholas,

I have seen the recent correspondence between you and Patrick Jenkin about the funding of LRT in 1985/86.

I agree very strongly with Patrick that no further deduction should be made from local authority current expenditure provision for 1985/86 in respect of LRT. The local authority associations in Grants Working Group were given an illustrative figure for LRT revenue support of £125 million, and even £132 million will be distasteful to them. A further addition of £20 million would make it appear that the Government had badly misjudged the cost of LRT revenue support, and was looking to recoup the money by squeezing local authority expenditure generally. The same applies to the reduction in AEG, for which £101 million seems quite as much as would be acceptable.

When the GLC ran London Transport the costs of it fell on Londoners. It would not do much for our relations with local government as a whole if it now appeared that the excess costs of LRT were in effect to fall on the rest of the country.

It is our general policy on public transport that the user should pay more of the cost. If LRT is to cost more in 1985/86 than your Department had originally estimated, should you not look first to further fare increases to cover the cost? [The simplified fare structure of LRT could well mean that a fairly large percentage increase (eg an increase of 10p for each journey within a fare zone, or combination of zones) is easier to implement than a small percentage increase.] I agree of course that it would need careful presentation.

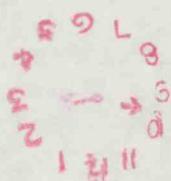
Copies go to the Prime Minister, to members of E(NI) and E(LA), and to Sir Robert Armstrong.

Encl. Kew

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport
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Transport LRT

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