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cc:Chancellor

FST

EST

MST

Sir P Middleton

Mr Bailey

Mr Monck

Mr Anson

Mr Burgner

Mr Scholar

Mr Jameson

Mr Grimstone

Mr Pirie

Mr Williams

6 November 1984

Ms Spencer

Mr Colman

Mr Revolta

011/106



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Nicholas Ridley AMICE MP
Secretary of State
Department of Transport
2 Marsham Street
London
SW1P 3EB

Dear Secretary of State

LRT: GLC CHALLENGE TO S. 49 DIRECTION

I understand that as a result of the GLC challenge to your Direction under Section 49 of the London Regional Transport Act, you are faced with a decision on whether to pursue the litigation or effectively to concede the matter now. I understand also that your legal advice is that you should concede and make a fresh Direction.

2 I am not in a position to comment on the legal advice, which you may feel is an overriding consideration given the possible timing consequences of any process of appeal. I know you will bear in mind the public expenditure implications in making your decision.

3 I understand that the potential call on public expenditure may be up to £45 million, much of which could show up as pressure on next year's external financing limit for LRT because we agreed that you should carry forward a revenue surplus of some £30 million, and this may not now be available. I know that you will make every effort to absorb any increase within existing provision. Any burden should be carried on internal resources, which will have implications for capital spending and for fares levels. You may wish to propose some offsetting change in the external financing limits of your other industries before EFLs are announced or in your departmental programme although this would have to be arranged very quickly. I understand that you have considered an amendment to the GLC Money Bill to reinstate some £12 million of capital provision for LRT; but I would be most reluctant to contemplate this. The original cut in provision was the

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first time that such a Money Bill had been opposed, and we would need to be able to ensure that the GLC spent any extra provision on transport and not on other services. You may prefer to ask colleagues to agree a re-allocation within existing provision, which could help avoid any increase in the already large capital overspend in the current year. If in the event a call on public expenditure was unavoidable, I would need to ask you to increase the call on ratepayers, since they will in principle benefit from any GLC saving.

4 I am copying this letter to Patrick Jenkin in view of his Money Bill interest.

Yours sincerely

P. Rees
for PETER REES

[Approved by the Chief Secretary]

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