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Home Secretary
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20 July 1982

Dea Willie

PUBLIC TRANSPORT IN LONDON AND THE METROPOLITAN COUNTIES

When the Ministerial Group on Local Government Organisation and Finance discussed my proposals for new legislation to regulate the amount of subsidy that can be paid to public transport by the GLC and the metropolitan county councils, I was asked to pursue some detailed points further with the Chief Secretary, Treasury, the Secretary of State for the Environment, the Attorney-General and the Central Policy Review Staff. (MISC 79(82)4th meeting.)

The outstanding points have now been resolved as follows. The guidance on subsidy levels can be given greater force by enabling me to set a lower guideline if I consider an authority's proposal excessive. The sanction of surcharge and disqualification for incurring unlawful expenditure is a powerful one and councillors will know they are at risk if they ignore a statutory duty to have regard to my guidance. The main value of cost-benefit techniques lies in preventing excessive claims being made for the benefits of subsidies and in helping to eliminate over-provision of bus services. There will be no question of subsidies being automatically justified by a cost benefit calculation. I do not propose to pursue the proposal for authorities to have a separate power to

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pay subsidies for reduced fares for children provided that it proves possible to draft the legislation so that reductions for children can continue as part of the normal fares structure. I have agreed that I should take power to employ consultants to look at authorities' subsidy plans and receive the cost from them. I accept the need to provide for appeals against refusal of private sector tenders, and I am exploring further how to do this without involving the complexity of public inquiry procedures.

I am arranging for Instructions to go to Parliamentary Counsel. I propose to announce the decision to introduce legislation on subsidies on 26 July. I attach a draft written reply to an arranged Parliamentary Question for this purpose. I would be grateful for any comments by the weekend. I am also preparing an explanatory note setting out the proposals in more detail which I could send to the local authorities.

I understand that the Select Committee on Transport hope to publish their report on the organisation of transport in London on 28 July. We shall be considering further my proposals for longer-term changes. In the meantime my statement makes it clear that control of London Transport will be taken out of the GLC's hands if they do not behave responsibly. I hope that we shall be in a position to announce a decision on the longer term by the time the legislation on subsidies is introduced.

Finally, you should know that I have heard from the GLC that they are now no longer putting such a restrictive interpretation on the House of Lords judgement on "Fares Fair". They have got new legal advice. It is not at all clear how far they would be prepared to go in taking forward this new interpretation, or whether they will get further and different legal advice. They could well decide to keep all their options open, and blame us for the uncertainty. It is in my view therefore all the more important to regulate the amount of subsidy that can be paid, as our legislation proposes.

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I am copying this to the Prime Minister, other members of the Cabinet, the Attorney-General, Mr Sparrow and Sir Robert Armstrong.

Yours
in

David

DAVID HOWELL

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DRAFT PQ ON SUBSIDY LEGISLATION

TO ASK THE SECRETARY OF STATE FOR TRANSPORT, IF HE WILL INTRODUCE
NEW LEGISLATION ON PUBLIC TRANSPORT IN LONDON AND THE CONURBATIONS

I have been concerned with two major issues on public transport ^{in London} over
the past year. One is what level of subsidy is reasonable, the second
is whether the organisation is right.

The Government believe that subsidy is essential to maintain the
key public transport systems in our cities. But it must be wisely
and thoughtfully spent, based on the real needs for transport in their
areas rather than the dictates of dogma and it must have regard to the
resources available and who is to provide them.

The legislation on subsidy has stood us in good stead for many years,
but regrettably some authorities have been using it
irresponsibly. Excessive subsidies by the metropolitan county councils
are a significant part of total overspending by local authorities this
year, and it is already clear from the details of the draft Transport
Plans that are beginning to emerge that some authorities may still be
contemplating unrealistic subsidy policies for next year. These could

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lead to challenge from ratepayers, uncertainty and damage for the transport undertakings concerned and those who work on them and confusion and disruption for the general travelling public. I therefore intend to take the earliest opportunity to introduce legislation that will provide clear guidances for their policies.

The objectives are to improve efficiency, obtain better value for money and maintain a reasonable balance between travellers, ratepayers and taxpayers. The proposals will define the basis for the payment of subsidies both in London and the metropolitan counties. Powers and duties will be re-defined to make it clearer what subsidies are buying, to require the structure of the transport executives to be reviewed, and to allow a greater choice to authorities providing subsidies in how the services they desire should be provided. In reaching their decisions on subsidies, authorities will have to have proper regard to guidance which I shall give them on what is an appropriate amount. I shall be issuing advice to local authorities on how the proposals affect their current plans and the appropriate action this autumn. [A copy of this is available in the Library of the House.]

I am still considering whether more far-reaching changes in the arrangements for public transport are needed. Some of the organisational

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arrangements in our cities are unsatisfactory, particularly in London, and I will consider carefully the report of the Select Committee on Transport which I understand will be published in the next few days. In the meantime the legislation will include reserve powers which will enable me to step in if the GLC continue to behave irresponsibly and play politics with the future of London Transport.



Prime Minister

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You will wish to
be aware of the
outcome of these discussions.

QUEEN ANNE'S GATE LONDON SW1H 9AT

July 1982

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Dear David

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PUBLIC TRANSPORT IN LONDON AND THE METROPOLITAN COUNTIES

Thank you for your letter of 20 July.)

As Chairman of MISC 79, I have only one comment on the draft written reply attached to your letter. The second sentence of the last paragraph might be taken to imply that we have already decided to change the existing arrangements for transport in the GLC and metropolitan counties. As you know, MISC 79 has yet to reach a considered judgment on whether the GLC's and the metropolitan counties' transport responsibilities should be removed or altered.

I should therefore be grateful if you could either delete the whole of the penultimate sentence of the draft, or in order to retain a reference to the Select Committee report, replace it and the preceding sentence by:

"I am still considering whether more far-reaching changes in the arrangements for public transport are needed; and will examine carefully the report of the Select Committee on Transport which I understand will be published in the next few days."

I am copying this letter to the Prime Minister, other members of the Cabinet, the Attorney General, Mr Sparrow and Sir Robert Armstrong.

Yours
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The Rt. Hon. David Howell, MP.

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