



THE DEPARTMENT  
OF TRANSPORT



FROM THE SECRETARY OF STATE

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TELEPHONE 01-276 3000

The Rt Hon Christopher Patten MP  
Secretary of State for  
the Environment  
Department of the Environment  
2 Marsham Street  
LONDON  
SW1P 3EB

My Ref:

Your Ref:

*MBP at this stage.*

*PR 6*

*279*

*-4 SEP 1989*

*Dear Sir,*

**FORMULA RATING REVIEW: TRANSPORT INDUSTRIES**

*has*  
In your letter of 2 August to Peter Walker you set out your proposals for rateable values for the formula rated industries. You replied on the same day to me on Paul Channon's letter of 22 June to Nicholas Ridley.

I am pleased that you have been able to accept the case for setting the rateable value for British Rail and London Underground on the basis of turnover. But the uncertainty over which method would be chosen meant that until recently there had been no discussions with the railway operators and my officials on the detailed figures.

The figure of £299m which you suggest for British Rail's rateable value would present real difficulty. The rise in BR's rateable value at 117% is second only to that of Mercury. While the transitional provisions will delay the effects, a very large real increase in rates over the next five years would have serious effects on the commercial railway's profits and the subsidised railway's need for grant. It will add to the external financing pressures on BR which Norman Lamont and I will be discussing shortly, and will make possible privatisation more difficult.

I am also concerned about the scale of the increases you propose for London Underground and Docklands Light Railway. Many of the arguments about the rating of British Rail also apply to other railway systems and the external financing pressures on LRT are not less severe. I hope that you will



be able to look again at the proposals for both LRT and the Tyne and Wear Metro.

For the formula rated ports, you are proposing an increase 43% higher than that for industry generally. Again, I am yet to be convinced that this would be a fair burden to impose. The Ports industry is in an almost unprecedented period of change. It is not yet clear how this will affect either the overall structure of the industry or the value of individual ports. I am asking my officials to examine with yours the basis of your comparison between statutory harbour authorities and non-statutory harbour wharves.

Discussions between officials and the industries are now in hand. I hope that the outstanding issues can be resolved quickly, and that you will consider carefully the arguments that are being put forward by the transport industries.

I am copying this to the Prime Minister, Nicholas Ridley, Malcolm Rifkind, Peter Walker, Norman Lamont, John Wakeham and to Sir Robin Butler.

*Young Esd,*  
*A. Lead.*

CECIL PARKINSON

LOCAL GOVT Rates 1/1/19

