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CABINET
MINISTERIAL COMMITTEE ON ECONOMIC ~~POLICY~~ STRATEGY

RAIL SERVICES TO GATWICK AIRPORT
Memorandum by the Chief Secretary, Treasury

The joint memorandum by the Secretary of State for Trade and the Minister of Transport (E(80)101) invites us to agree to the provision of additional external finance to pay for improvements at Victoria Station. These will cater for the expected increase in traffic which will be generated by our policy of encouraging the growth of air traffic through Gatwick. The work would be undertaken by the British Railways Board (BRB) although the stimulus for the development comes from the British Airports Authority (BAA) and ultimately derives from our airports policy - the BRB would not itself accord a high priority to this project.

2. There is no question of reopening decisions about airport policy which we reached last year. Ultimately these will lead to a need for infrastructure improvements, particularly when capacity at Heathrow and Gatwick is increased by the completion of the extra terminals. But the timing of these improvements depends on the actual growth in passenger traffic. Recent experience must cast doubt on the urgency which attaches to this particular improvement. BAA themselves have revised downwards their forecasts of traffic growth in the current year from around 7% to zero. Even if there was an immediate recovery it would be from a lower base. The longer term projection (first made well over a year ago) of 16m passengers by 1984 to which the timing of the Victoria development is related must now be most uncertain.

3. I do not dispute the ultimate need for some improvement at Victoria. But I do not believe it is imperative to commence work immediately. In view of the uncertainties surrounding the appropriate timing of this project I invite colleagues to agree that it should be reappraised on the basis of up to date forecasts of passenger traffic and the effect of these on the financial implications of the development. In the meantime, we should not make any allowance in the figures for the investment.

HM TREASURY
12 September 1980

W.J.B.

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