



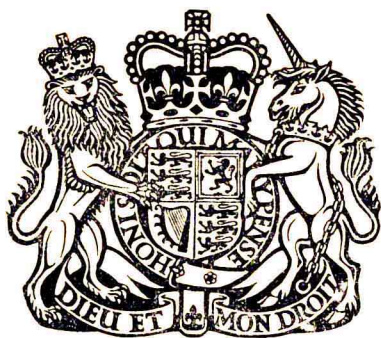
Public Investment in Great Britain October 1962

*Presented to Parliament by the Chief Secretary to the Treasury
by Command of Her Majesty
November 1962*

LONDON
HER MAJESTY'S STATIONERY OFFICE

PRICE 2s. 3d. NET

Cmnd. 1849



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PUBLIC INVESTMENT IN GREAT BRITAIN

Page

PART ONE

PUBLIC INVESTMENT 1960-1964	4
TOTAL EXPENDITURE 1960-1964	4
OUT-TURN OF EXPENDITURE IN 1960/61 AND 1961/62	5
OUT-TURN OF EXPENDITURE IN 1962/63	7
ESTIMATED EXPENDITURE IN 1963/64	7

PART TWO

SUMMARY TABLE OF PUBLIC INVESTMENT IN GREAT BRITAIN	9
---	---

INVESTMENT BY THE NATIONALISED INDUSTRIES AND PUBLIC CORPORATIONS

NATIONAL COAL BOARD	10
GAS COUNCIL AND BOARDS	11
ELECTRICITY COUNCIL AND BOARDS	12
SOUTH OF SCOTLAND ELECTRICITY BOARD	13
NORTH OF SCOTLAND HYDRO-ELECTRIC BOARD	14
AIR CORPORATIONS...	15
BRITISH TRANSPORT COMMISSION...	16
ATOMIC ENERGY AUTHORITY	18
POST OFFICE	18
OTHER PUBLIC CORPORATIONS	19

PUBLIC SERVICE INVESTMENT

ROADS	20
UNIVERSITY GRANTS COMMITTEE...	21
EDUCATION	22
HOUSING	24
WATER AND SEWERAGE	25
LOCAL AUTHORITY HEALTH AND WELFARE SERVICES...	26
HOSPITAL SERVICES...	27
OTHER INVESTMENT BY CENTRAL GOVERNMENT	28
OTHER INVESTMENT BY LOCAL AUTHORITIES	31

APPENDIX—NOTES ON DEFINITIONS...	34
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PART ONE

PUBLIC INVESTMENT 1960-1964

1. This White Paper preserves the distinction first drawn in *Public Investment in Great Britain October 1961* (Cmnd. 1522) between

- (a) investment by the nationalised industries and public corporations and
- (b) public service investment by the central Government and local authorities.

Total Expenditure 1960-1964

2. Public investment expenditure continues to grow rapidly. Between 1955/56 and 1960/61 it rose from £1,275 million to £1,645 million. In 1963/64 it is expected to reach a level of £2,060 million, without allowance being made for the proposals for additional investment in electricity now under consideration, which, as explained in paragraph 14, could increase the total for 1963/64 by up to £70 million.

3. Most programmes share in the big expansion of total public investment between 1960/61 and 1963/64. The largest increases are in expenditure on the electricity programme, on education, on housing and on the aggregate of small local authority programmes; but there are also substantial increases in spending on roads, by the Post Office, on the health service, and on water and sewerage schemes.

4. The rapid growth in the total of public service investment is a most striking feature in the general pattern of spending. Three-quarters of the increase in total public investment over the period is in this category.

5. Expenditure between 1960/61 and 1963/64 is summarised in the following table: details are given in Part Two:—

£ million				
	1960/61	1961/62	1962/63	1963/64
	Actual prices		March, 1962, prices	
	Out-turn	Estimated out-turn	Forecast out-turn	Estimated expenditure, 1st October, 1962
<i>Investment by the nationalised industries and public corporations:</i>				
National Coal Board	94	93	90	83
Gas Council and Boards	43	46	56	64
Electricity Council and Boards and Scottish Electricity Boards	336	378	422	438 ⁽¹⁾
Air Corporations	47	37	37	50
British Transport Commission	205	184	160	153
Atomic Energy Authority ...	36	35	35	28
Post Office	100	119	123	139
Other	6	10	8	10
Total (rounded)	865	905	930	965 ⁽¹⁾
<i>Public service investment:</i>				
Roads ⁽²⁾	98	108	133	149
Education ⁽³⁾	142	164	188	198
Housing ⁽⁴⁾	279	296	317	348
Water and sewerage	79	88	99	105
Hospital and local health and welfare services	43	56	65	78
<i>Other Investment:</i>				
Central Government ⁽⁵⁾ ...	39	49	52	60
Local Authorities ⁽⁶⁾ ...	99	124	146	158
Total (rounded)	780	885	1,000	1,095
Grand Total (rounded)	1,645	1,790	1,930	2,060 ⁽¹⁾

⁽¹⁾ Excluding the additional investment referred to in paragraph 14 below.

⁽²⁾ Including expenditure on unclassified roads and road lighting which is shown under "Other local authority services" in Part II (see pages 31–33).

⁽³⁾ Including university investment financed by the University Grants Committee.

⁽⁴⁾ Local authorities, new towns and housing associations.

⁽⁵⁾ For example, Government buildings, civil aerodromes and navigational services, prisons (see pages 28–30).

⁽⁶⁾ For example, harbours, police and fire services (see pages 31–33).

Out-turn of Expenditure in 1960/61 and 1961/62

6. The table overleaf compares the annual totals of expenditure shown above with the totals given in October, 1961 (Cmnd. 1522):—

£ million (rounded)

	1960/61			1961/62			1962/63			1963/64		
	Estimated out-turn			Forecast out-turn			Estimated expenditure					
	Nation-alised-indus-tries	Public service	Total	Nation-alised-indus-tries	Public service	Total	Nation-alised-indus-tries	Public service	Total			
1961 Review												
As in Cmnd. 1522 (Prices of 1961 review) ⁽¹⁾	865	775	1,640	880	870	1,755	915	925	1,840	—		
As in Cmnd. 1522 (adjusted to prices of 1962 review) ⁽²⁾	865	775	1,640	895	890	1,785	945	985	1,930	—		
	Out-turn			Estimated out-turn			Forecast out-turn			Estimated expenditure		
	Nation-alised-indus-tries	Public service	Total	Nation-alised-indus-tries	Public service	Total	Nation-alised-indus-tries	Public service	Total	Nation-alised-indus-tries	Public service	Total
1962 Review⁽²⁾	865	780	1,645	905	885	1,790	930	1,000	1,930	965	1,095	2,060

⁽¹⁾ Actual prices of 1960/61: prices of March, 1961, for later years.

⁽²⁾ Actual prices of 1960/61 and 1961/62: prices of March, 1962, for later years.

7. The out-turn of expenditure in 1960/61 was close to the estimate given in Cmnd. 1522. The present estimate of out-turn in 1961/62 is also close to the forecast of £1,755 million made in Cmnd. 1522 (and to the total of £1,730 million given in Cmnd. 1203 in November, 1960) after adjustment for changes in price. Within the total, however, there are some programmes where expenditure ran ahead of the estimates made in earlier years and others where expenditure fell behind.

Out-turn of Expenditure in 1962/63

8. In 1961 the Government decided to hold back the rate of implementation of a number of public investment programmes and to restrain the upward movement of investment expenditure in 1962/63. Their main aim was to moderate the growth of new demand by the public sector upon productive resources, including the construction industries. Special care was taken not to disrupt work in hand or to interrupt the orderly execution of programmes.

9. This action formed part of the series of measures taken by the Government in 1961 to relieve the pressure of internal demand and to increase the long-term strength of the economy. The immediate objective of these measures was achieved. The pressures upon the nation's resources have been reduced and the balance of the economy improved.

10. In the light of the general developments in the economy the Government have thought it appropriate to relax some of the more severe restraints imposed last year upon the growth of public investment. They have accordingly approved additional work to be started in 1962/63 or 1963/64 to a value of £70 million. Of this about £40 million is for housing, £5 million for university building, £10 million for school projects and other educational schemes and £10 million for general local authority services (including facilities for sport and recreation). Most of the extra work is in those programmes where the period between planning and execution is comparatively short, and about £15 million of this £70 million is expected to be spent in 1962/63. Increases have also been authorised in nationalised industries' investment, particularly in investment on the gas and electricity programmes. These increases are offset by reductions in forecast expenditure on other programmes, notably in investment by the British Transport Commission.

11. As a result of those changes total public investment expenditure in 1962/63 is now estimated at £1,930 million, which is the same as the total shown in Cmnd. 1522 after adjustment for changes in price. Virtually the whole of the real increase between 1961/62 and 1962/63 is expected to be in public service investment, which shows a rise of about 9 per cent. at constant prices.

Estimated expenditure in 1963/64

12. The Government have decided that a further substantial increase in public investment is called for in 1963/64. The estimated total of expenditure shown in this White Paper is £2,060 million, some £130 million, or nearly seven per cent., greater than the forecast out-turn for 1962/63.

13. Of the total increase between the two years about one-quarter is in investment by the nationalised industries and public corporations, which will make a direct contribution to the expansion of the economy. The principal increases are in estimated expenditure on the gas programme, mainly on the project for importing liquefied natural gas, on the electricity programmes, by the Air Corporations and by the Post Office. These are partly offset by further reductions in the estimated investment needs of the National Coal Board, the British Transport Commission, and the Atomic Energy Authority.

14. Besides the increase in electricity investment specifically shown, there is the prospect that additional investment will be needed to keep pace with the growing demand for electricity. The Central Electricity Generating Board are reviewing requirements for the development of generation and transmission facilities in the light of the latest information. In addition, proposals from the Area Boards for strengthening distribution facilities are under consideration. In total this could add up to £70 million to investment expenditure in 1963/64.

15. The larger part of the increase shown in this White Paper for 1963/64 compared with 1962/63, however, falls in public service investment. On 27th February, 1962, the Chancellor of the Exchequer told the House of Commons (*Official Report, Col. 1137*) that the Government were working to plans which would permit an increase of about six per cent. in the aggregate of public service investment between 1962/63 and 1963/64. Taking account of the additional work described in paragraph 10 above, which will add £40 million to expenditure in 1963/64, the total now estimated for that year is about nine per cent. higher than the forecast out-turn for 1962/63. This greater increase is, in the Government's view, justified by the general easing of the strain on the economy which has taken place in recent months and by the trend of private investment as well as by the merits of the programmes concerned. Nevertheless, as a safeguard against the difficulties which held up the implementation of some investment programmes in 1961, they are taking what steps are sensible and practicable to ensure that, as far as possible, the additional building investment authorised is undertaken in those parts of the country where the pressure on resources is least.

16. The largest single increase is in the housing programme, where the Government have made special provisions for a new drive to clear slum dwellings. But all the main programmes share in the general expansion. Expenditure financed through the University Grants Committee for the capital development programme of the universities now gathering momentum will be up by about 25 per cent. and there will be a continued increase of expenditure on the long-term programmes of road and hospital construction, water and sewerage, and local health and welfare services. There will also be some rise in capital expenditure on education provision and on the smaller investment programmes executed centrally and locally.

PART TWO

PUBLIC INVESTMENT IN GREAT BRITAIN

£ million

	1960/61	1961/62	1962/63	1963/64
	Actual prices		March, 1962, prices	
	Out-turn	Estimated out-turn	Forecast out-turn	Estimated Expenditure, 1st October, 1962
<i>Investment by the nationalised industries and public corporations:</i>				
National Coal Board	94.0	93.3	90.0	83.0
Gas Council and Boards	43.3	46.1	56.0	64.0
Electricity Council and Boards...	297.7	330.5	373.0	390.0
South of Scotland Electricity Board	27.2	34.4	32.0	34.0
North of Scotland Hydro-Electric Board	11.1	13.5	16.9	14.1
Air Corporations	47.4	37.3	37.0	50.0
British Transport Commission*:				
British Railways	168.0	149.9	125.3	115.0
Other Undertakings	37.1	33.8	34.4	38.4
Atomic Energy Authority	35.7	35.0	34.8	28.0
Post Office	99.7	118.6	123.4	139.1
Other public corporations	5.6	10.2	8.5	10.2
Total	866.8	902.6	931.3	965.8
Rounded to	865	905	930	965
<i>Public service investment:</i>				
Roads: England and Wales	71.0	77.4	100.4	114.1
Scotland	11.0	12.9	14.7	15.7
University Grants Committee	20.4	26.2	31.6	38.6
Education: England and Wales	107.9	123.9	136.8	142.6
Scotland	13.9	14.3	19.1	16.6
Housing: England and Wales	236.0	252.9	267.1	294.3
Scotland	43.0	43.3	50.3	54.0
Water and Sewerage:				
England and Wales... ..	70.2	79.1	88.5	92.9
Scotland	8.7	8.5	10.4	12.5
Local authority health and welfare services:				
England and Wales... ..	12.8	16.8	19.0	23.0
Scotland	0.6	0.5	0.7	0.8
Hospital services:				
England and Wales... ..	26.4	34.1	39.6	47.4
Scotland	3.6	4.4	5.5	6.5
Other investment:				
Central Government	39.2	49.1	51.9	59.8
Local authorities	115.2	142.4	164.4	177.3
Total	779.9	885.8	1,000.0	1,096.1
Rounded to	780	885	1,000	1,095
Total public investment	1,647.9	1,788.4	1,931.3	2,061.9
Rounded to	1,645	1,790	1,930	2,060
Land, leases and existing buildings	65	95	85	95
New construction:				
Dwellings	265	280	315	345
Other building and civil engineering work	615	680	755	805
Plant and machinery	530	590	645	675
Vehicles, ships and aircraft	170	145	125	140
Total	1,645	1,790	1,930	2,060

* These figures relate to calendar years.

INVESTMENT BY THE NATIONALISED INDUSTRIES AND PUBLIC CORPORATIONS

National Coal Board

£ million

	1960/61	1961/62	1962/63	1963/64
Land and buildings:				
Land	0.3	0.2	—	—
Dwellings	1.4	1.5	2.5	4.0
Mines (including surface works)	28.0	27.8	28.5	25.0
Other buildings, etc.	5.7	4.0	4.5	3.5
Total	35.4	33.5	35.5	32.5
Plant and machinery	57.8	58.8	53.5	49.5
Vehicles and vessels	0.8	1.0	1.0	1.0
Total	94.0	93.3	90.0	83.0

The net book value of fixed assets shown in the balance sheet of the National Coal Board at 30th December, 1961, was £826 million.

17. Investment by the National Coal Board mainly comprises expenditure for promoting efficiency (e.g. face mechanisation and workshops), for maintaining existing capacity and for completing schemes for new deep-mined capacity, for processing coal, for houses and other ancillary operations as well as for replacing plant no longer useful or economic.

18. With the progress made in the reconstruction of the industry, the number and estimated cost of new major schemes has declined over recent years as the following table shows:—

Major Capital Schemes Approved : 1957–1961

	Number	Estimated Capital Cost £ million
1957	44	67.5
1958	21	36.9
1959	14	13.6
1960	12	11.6
1961	11	5.0

19. During the last year there has been an increase in output and a marked improvement in productivity. This has been due to increased face mechanisation, to concentration and to more extensive use of two and three shift working as well as to the benefits of the completion of past reconstruction schemes. As a result, the Board have now, and in prospect, enough primary capacity (i.e. physical facilities in the shape of shafts, main roadways and major equipment) to meet the highest demand for coal likely to occur in the foreseeable future. With the progress that has now been made in productivity and output, some reduction can be foreseen over the next few years in investment on schemes to provide primary capacity. On the other hand, technical developments in face mechanisation and other fields designed further to raise operating efficiency are likely to require increased expenditure. On balance these factors are likely further to reduce expenditure in 1962/63 from the previous (April, 1962) forecast of £93 million to £90 million and expenditure for 1963/64 is provisionally put at £83 million, but is subject to further discussion between the Government and the Board.

20. By the end of 1961 the Board had spent £427 million on capital account on major colliery schemes (schemes costing over £250,000). Of this sum, about £163 million is accounted for by expenditure upon 173 major schemes substantially completed at the end of 1961 and £264 million by expenditure so far incurred upon 123 uncompleted schemes. Of the 11 major schemes approved in 1961, 5 related to collieries and 6 to ancillary developments. The bulk of the expenditure in 1963/64 will be upon schemes already in progress. It is expected that the proportion of coal produced from new and reconstructed pits will rise from 55 per cent. in 1961 to three-quarters by 1966 and that mechanised output will increase from 48 per cent. to 80 per cent. of total output over the same period.

21. The following table analyses the Board's total investment expenditure between its different activities:—

£ million				
	1960/61	1961/62	1962/63	1963/64
Collieries and associated activities	82·5	83·6	80·5	71·0
Coke ovens	1·0	1·8	1·0	1·0
Ancillary activities	10·5	7·9	8·5	11·0
Total	94·0	93·3	90·0	83·0

Expenditure on coke ovens is at present confined to essential replacements and improvements. Expenditure on ancillary activities in the next two years will consist principally of the provision of houses and smokeless fuel plants.

22. The distribution between Divisions of the expenditure in 1963/64 on collieries is provisionally as follows:—

<i>Division</i>	<i>£ million</i>			
Scottish	7·0
Northern (N. & C.)	2·5
Durham	5·5
North Eastern	14·5
North Western	4·5
East Midlands	16·5
West Midlands	7·5
South Western	12·5
South Eastern	0·5
Total	71·0

Gas Council and Boards

£ million				
	1960/61	1961/62	1962/63	1963/64
Gas manufacture	15·4	16·5	21·5	23·4
Distribution and consumer services	25·1	25·6	30·2	37·0
Other	2·8	4·0	4·3	3·6
Total	43·3	46·1	56·0	64·0

The net book value of fixed assets shown in the balance sheets of the Gas Council and Boards at 31st March, 1962, was £512 million.

23. Investment by the gas industry in Great Britain comprises expenditure by the twelve Boards on gas manufacture and distribution, and by the Gas Council on research (included under the head of other expenditure in the table).

24. Total investment by the industry in 1961/62 was £46·1 million, compared with £47 million estimated in October, 1961 (Cmnd. 1522). Sales of gas in 1961/62 were 2·7 per cent. higher than in the previous year. Although the colder winter caused some of this increase, there are signs that the demand for gas, after being fairly stable for a few years, is now rising. Future investment must therefore provide for additional supplies to meet the more rapid increase in demand now expected as well as for reduction of costs.

25. The estimate of investment in 1962/63 given in October, 1961 (Cmnd. 1522) was £48·8 million. Following the approval in November, 1961 of the industry's proposal to import liquefied natural gas, this was increased to £52·5 million, as shown in the White Paper on *Government Expenditure Below the Line 1962-63* (Cmnd. 1680). The further revision to £56 million results largely from re-phasing of expenditure on the natural gas project, the re-assessment of the future demand for gas, and the need to replace supplies from discontinued or uneconomic sources.

26. In 1963/64, when most of the expenditure on the project for importing liquefied natural gas will be incurred, investment is expected to rise further to £64 million. It is expected, however, that, even with a continued increase in demand for gas, the industry's annual investment in 1964/65 will be lower than in the two preceding years. Total investment over the seven-year period of the development plan set out in *Gas Looks Ahead* (1st April, 1959 to 31st March, 1966) is not expected to differ materially from the then estimated total of £352 million.

Electricity Council and Boards in England and Wales

£ million

	1960/61	1961/62	1962/63	1963/64
<i>Central Electricity Generating Board</i>				
Generation:				
Conventional stations	105·8	98·4	100·0	103·0
Nuclear stations	53·5	61·0	68·0	68·0
Main transmission	31·2	41·2	55·0	75·0
Other... ..	5·7	6·3	7·0	8·0
Total	196·2	206·9	230·0	254·0
<i>Area Boards (Distribution)</i>	98·7	115·2	127·0	120·0
Total fixed assets	294·9	322·1	357·0	374·0
Nuclear fuel (initial charges)... ..	2·8	8·4	16·0	16·0
Total	297·7	330·5	373·0	390·0

The net book value of fixed assets (property, plant and equipment) shown in the balance sheets of the Electricity Council and Boards at 31st March, 1962, was £2,229 million.

27. Investment by the electricity supply industry in England and Wales comprises expenditure by the Central Electricity Generating Board on generating stations and the main transmission system, and by the twelve Area Boards on local distribution.

28. The forecasts of demand for electricity, on which the capital programmes are based, are reviewed each year. The 1962 review showed the

need for a further increase in the forecasts. Estimates of the consequential increases required in the capital programme of the Electricity Boards will be considered by the Government later in the year. As explained in paragraph 14 an increase of up to £70 million in investment in 1963/64 may be required. At 31st March, 1962, the total output capacity of the Generating Board's power stations was 28,959 MW. At the end of 1962 the output capacity of the Board's stations is expected to be nearly 31,400 MW and at the end of 1963 nearly 33,700 MW. It is expected that over 14,600 MW of new plant will be commissioned in the years 1962-66 inclusive. On present estimates a rate of commissioning substantially higher than this will be required in the years after 1966 to keep pace with the growing demand, and this, together with the associated transmission work required, will be reflected in the Generating Board's revised investment programme.

29. Increases in forecasts of demand, together with the need to prevent any increase in the backlog of work on the distribution systems, have led to the increase in the Area Boards' capital programmes for 1962/63 and are expected to lead to further increases in 1963/64. An increasing proportion, already more than 50 per cent., of the Area Boards' capital expenditure is required to cope with the growing demands of existing consumers. The rate of expenditure on new connections is increasing only slightly.

30. Total investment in fixed assets by the Generating and Area Boards in 1961/62 was £6.4 million, or about 2 per cent., more than was estimated in October, 1961 (Cmnd. 1522). The present estimate of £357 million for total investment in 1962/63 is £22.1 million higher than the estimate given in October, 1961. This increase is accounted for by a rise of £13 million in expenditure by the Generating Board, mainly on conventional power stations, and a rise of £9.1 million in expenditure by Area Boards, on account of the increased growth of demand.

31. Estimated expenditure on nuclear fuel in 1962/63 is £4.6 million lower than the estimate given in Cmnd. 1522, mainly because of the re-phasing of payments to the Atomic Energy Authority.

32. Total investment, including nuclear fuel, in 1962/63 is estimated at £373.0 million, £17.5 million above the estimate given in Cmnd. 1522. The Minister has reviewed the industry's present capital development programme, and has approved the revised level of expenditure for 1962/63. As already indicated the figures for 1963/64 will be subject to review later in the year.

South of Scotland Electricity Board

£ million

	1960/61	1961/62	1962/63	1963/64
Generation:				
Conventional stations	5.7	6.0	6.5	8.0
Nuclear station	10.7	12.9	9.0	2.5
Main transmission	3.4	6.5	6.5	6.5
Distribution and other	7.4	9.0	10.0	10.0
Total fixed assets	27.2	34.4	32.0	27.0
Nuclear fuel (initial charges)...	—	—	—	7.0
Total	27.2	34.4	32.0	34.0

The net book value of fixed assets shown in the balance sheet of the South of Scotland Electricity Board at 31st December, 1961, was £181 million.

33. The demand for electricity in Scotland continues to grow with great rapidity. After an increase of 16·3 per cent. in the maximum demand in the South of Scotland in 1960, a further rise of no less than 18 per cent. was recorded in 1961. 56 MW of output capacity were added to the Board's generating plant in 1961; 188 MW should be added in 1962 and a further 1,656 MW are under construction.

34. Progress on the second half of the coal-fired generating station at Kincardine was delayed by labour troubles during the summer of 1962. As a result, the first of the two turbo-alternators (each of which will have an output capacity of 188 MW) is unlikely to be ready to meet the winter peak although the Board hope to commission it this winter; the second should be ready next year. Good progress is now being made on Hunterston and commissioning of both nuclear reactors can be expected in 1964. The investment figures for this station reflect the Board's reassessment of the expected final cost. The construction of two further conventional stations has been authorised and work on them has been in progress for some months. The larger of these is a coal-fired station at Cockenzie, East Lothian, with an output capacity of 1,112 MW provided by four turbo-alternators, one to be commissioned in 1966, two in 1967 and the fourth in 1968; the commissioning dates for the third and fourth sets are a year earlier than was formerly planned and this accounts for most of the increase in investment in conventional stations in 1963/64. The smaller is a 56 MW steam station at Methil in Fife which will burn colliery slurry and is due for commissioning in 1965 and 1966.

35. Heavy investment on main transmission and distribution is required to meet the exceptional growth of demand. While some acceleration of work on the 275 kV super grid has been necessary the main increase is due to the urgent need for reinforcement of existing transmission and distribution systems.

North of Scotland Hydro-Electric Board

£ million

	1960/61	1961/62	1962/63	1963/64
Generation	7·4	8·6	11·4	8·9
Main transmission	1·0	1·6	1·9	1·6
Distribution	2·7	3·3	3·6	3·6
Total	11·1	13·5	16·9	14·1

The net book value of fixed assets shown in the balance sheet of the North of Scotland Hydro-Electric Board at 31st December, 1961, was £200 million.

36. The North of Scotland has experienced a high rate of growth in demand similar to that in South Scotland, and the Board has had to adjust its investment programme to keep pace with this and at the same time to maintain its contracted sale of 344 MW of peak load power to the South Board in 1963/64. The Board is to commission hydro plant with an output capacity of 74 MW in 1962 and 89 MW in 1963. A further 400 MW of pumped storage hydro plant and 228 MW of steam plant are under construction.

37. The two main hydro schemes at present under construction are Strathfarrar and Kilmorack (102 MW) with four conventional power stations and Awe (440 MW) with two conventional stations and the Cruachan pumped storage station. All of the conventional hydro stations will be commissioned in 1962 and 1963. At Cruachan two of the four 100 MW sets are expected to be commissioned in 1965 and the other two in 1966.

38. The steam plant is being installed at an extension of the Dundee power station; this will consist of two oil-fired sets each of 114 MW output capacity. The commissioning of these sets is scheduled for 1965 and 1966, the second set having been brought forward from 1969.

39. There is an increase of transmission and distribution work to reinforce the system to meet higher loads. 275 kV work in the north is well advanced, while construction was recently started on a new line between Cruachan and the Glasgow area.

Air Corporations

£ million

	1960/61	1961/62	1962/63	1963/64
<i>British Overseas Airways Corporation</i>				
Aircraft and spares	28·7	9·7	19·5	29·0
Other investment	1·4	2·3	4·5	4·0
Total	30·1	12·0	24·0	33·0
<i>British European Airways Corporation</i>				
Aircraft and spares	14·7	22·0	5·3	13·8
Other investment	2·6	3·3	7·7	3·2
Total	17·3	25·3	13·0	17·0
Total B.O.A.C. and B.E.A. ...	47·4	37·3	37·0	50·0

The net book value of fixed assets, exclusive of progress payments for aircraft under construction, shown in the balance sheets of B.O.A.C. and B.E.A. at 31st March, 1962, was £77 million and £67 million respectively.

40. The capital investment programmes of the Air Corporations are founded on their plans for replacing or expanding their fleets of aircraft. These are designed to enable B.O.A.C. and B.E.A. to maintain or improve their position in relation to other major world airlines and to achieve their aim of earning a reasonable yield in relation to capital employed.

41. There may be an interval of five or six years between the ordering of a new aircraft type and its coming into service. During this interval the Corporations make periodical payments to the manufacturers for aircraft under construction. Both B.O.A.C. and B.E.A. are investing capital in this way on their next generation of aircraft. Fluctuations in their expenditure from year to year reflect the phasing of the payment plans agreed with the manufacturers. The results of this investment cannot be measured until the aircraft are brought into full operational service.

42. Estimated expenditure by B.O.A.C. during 1962/63 and 1963/64 will be largely progress payments on V.C.10 aircraft, of which 42 are on order for delivery during 1963/64 to 1965/66. Investment in buildings, plant and equipment will be mainly on preparations for putting the V.C.10 into service; these include the extension of hangar and workshop accommodation at London Airport and of engine overhaul facilities at Treforest.

43. Estimated expenditure by B.E.A. during 1962/63 and 1963/64 will be mainly progress payments on Trident aircraft, of which 24 are on order for delivery during 1963/64 to 1965/66. Some provision has also been included for other possible aircraft requirements. Investment in buildings, plant and equipment is mainly on the erection of the permanent West London Air Terminal at Cromwell Road and on the acquisition of plant and facilities for the new aircraft types being introduced.

44. The figures for investment by B.O.A.C. in 1961/62 and 1962/63 compare with estimates of £14.9 million and £23 million given in October, 1961 (Cmnd. 1522): the figures for investment by B.E.A. in these two years compare with estimates of £29.4 million and £14.2 million given in October, 1961 (Cmnd. 1522). The differences are the result of rephasing of progress payments on aircraft and a shortfall in expenditure during 1961/62 on buildings, plant and equipment, which in the case of B.E.A. has been offset by an increase in forecast expenditure in 1962/63.

British Transport Commission

£ million

	1960	1961	1962	1963
<i>British Railways</i>				
Building, works and plant... ..	75.8	71.1	55.4	56.5
Rolling stock:				
Locomotives	45.3	41.0	40.0	38.0
Coaching stock	28.3	18.6	11.0	7.5
Freight stock	12.3	14.0	12.0	6.0
Collection and delivery vehicles	1.1	1.2	2.5	2.5
Ships	3.1	1.8	} 2.0	2.0
Packet ports... ..	0.5	0.4		
Hotels and catering services	1.2	1.5		
Other services	0.4	0.3	0.8	1.0
Total	168.0	149.9	125.3	115.0
<i>Other Undertakings*</i>				
London Transport	15.0	14.4	14.8	17.7
Docks	8.0	6.2	6.2	5.8
Inland waterways	2.5	1.7	1.7	2.1
British Road Services	5.7	4.9	5.2	5.5
Provincial and Scottish buses	5.1	5.6	6.1	6.4
Other services	0.8	1.0	0.4	0.9
Total	37.1	33.8	34.4	38.4
Total British Railways and Other Undertakings ...	205.1	183.7	159.7	153.4

The net book value of fixed assets shown in the balance sheet of the British Transport Commission at 31st December, 1961, was £2,045 million.

* Under the Transport Act, 1962, these will vest, respectively, in the London Transport Board, the British Transport Docks Board, the British Waterways Board, and (in the case of the British Road Services, Provincial and Scottish Buses and "Other services") in the Transport Holding Company.

45. Under the new organisation of the Commission's undertakings described in *Reorganisation of the Nationalised Transport Undertakings* (Cmnd. 1248), presented to Parliament in December, 1960, and now provided for in the Transport Act, 1962, British Railways and certain associated activities will be placed under a British Railways Board and the other undertakings will be either made independent or grouped under a Holding