



Prime Minister

BRIEF FOR CHAIRMAN OF BR

I have revised the attached draft brief for the Chairman of BR in the light of points made at E(NI) on 13 September and after discussing it with Mr Reid.

In accordance with E(NI)'s conclusions, I have now made the brief much shorter and crisper. It concentrates on stating the Government's firm objectives rather than the methods which BR should adopt.

I should leave colleagues in no doubt that Mr Reid regards the brief - and particularly the grant target for 1986 - as being tough. He stressed that the tone of the original brief - as it would be read by his Board, managers and workforce - could affect his ability to achieve the objectives we are setting. We should also keep in mind the likely reaction of some of our own supporters. So, without changing the substance of the brief, I have revised the drafting in some places to meet this point.

Mr Reid's other main point was the importance of linking the objectives wherever possible to the Board's corporate plans. He is committed to using his new planning system - backed up by realistic action plans - to achieve the economies he knows must be made and to deliver our objectives. I have therefore in particular linked the achievement of the vital 1986 PSO target to

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the planning system, without in any way weakening the target. This also enables me to secure Mr Reid's commitment to eliminate losses on freight by 1986 and earn a 5% return in 1988.

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The outstanding issue of substance is the treatment of BREL in the brief. I have considered whether it would be more effective simply to say that BREL should be privatised as soon as possible. I have discussed this with Mr Reid (who certainly sees scope for privatisation as part of the action required to deal with the BREL problem). We are agreed, however, that such a statement would probably be counter-productive. BREL faces great problems of over-capacity. There will be severe local and industrial relations problems in dealing with this, which must be the first step. In these circumstances, successful privatisation will need very careful consideration and handling. We should be seen to be considering the options on their merits. So I propose to keep to the original proposition on BREL (para 10). There is certainly no question of the Board coming forward with options for expanding BREL.

I propose to publish the brief, and Mr Reid agrees with this. There would be great advantages in having on the public record a clear statement of railway policy. It would also strengthen Mr Reid's hand in achieving our objectives. I have it in mind, therefore, that I should make a statement on the brief as soon as the House returns on 24 October. I am in any case First Order for questions that day, and I am therefore suggesting to the business managers that I should make a statement that day. I would then propose to follow it with a Press Conference, possibly accompanied by Bob Reid.

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I would be grateful for colleagues' agreement to the brief as soon as possible.

I am copying this minute to other members of E(NI), to John Biffen and to Sir Robert Armstrong.

*Andrew Melville*

*for*

TOM KING

5 October 1983

Approved by the Secretary of State  
and signed in his absence.

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## OBJECTIVES FOR THE NEW CHAIRMAN OF BR

1. This letter sets out the objectives the Government wishes you to pursue. It supplements the statutory and financial duties of the Board.
2. Your guiding objective should be to run an efficient railway, providing good value for money. <sup>(A)</sup> Services to your customers should be reliable, attractive and punctual, at acceptable fares and charges; and the cost to the taxpayer should be reduced. That is the way to achieve a secure future for the railway, enable worthwhile investment to go ahead and give your employees satisfaction and pride in their work.
3. The Board's current Plan shows the requirement for PSO grant from central government falling to about £700m (in 1983 prices) in 1986 and to about £635m in 1988. The Government wants you to go faster than this so as to reduce the requirement for central government grant to £635m (in 1983 prices) in 1986. Your 1984 Plan should show the measures required to achieve this. <sup>(delete)</sup> [The Board will incur transitional costs in meeting this objective and I shall be willing to consider what additional financial assistance may be needed to help meet these costs.]
4. It is not our intention that you should embark on a programme of major route closures. At the same time I should welcome your early views, following the endorsement of the case by the Select Committee on Transport, on the practicability of introducing some guaranteed and subsidised substitute bus services, where they would be appropriate on local transport and value for money grounds.
5. I shall want you to work closely with London Regional Transport, when it is set up, and with other public transport operators, to provide a better deal for travellers in and around London and to avoid wasteful duplication.
6. It is the Board's responsibility to determine fares. But improved efficiency must make a full contribution to keeping down fares. The railway must not use its market position to raise fares unreasonably.
7. The Board's 1983 Corporate Plan shows the Freight Business coming into profit by 1986. You should take the necessary action to ensure that it achieves a current cost operating profit of 5% in 1988. <sup>(replace by 13)</sup> [Within that financial target I want as much freight as possible to go by rail, rather than by road.] The objective for the Parcels business should be to continue to earn a proper commercial return. I look forward to receiving the Board's review of the Inter-City business against its commercial target.

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8. The Government wants you to secure improvements to the railways' present industrial relations machinery, which has hampered good communications and slowed down the necessary pace of change.

9. Sealink must be made ready for privatisation as soon as possible and I shall wish to discuss with you the best time to secure its transfer to the private sector. <sup>h</sup> The Government looks to you to obtain from the private sector more supply and support services, including rail and station catering. <sup>h</sup> I shall welcome proposals from you for more private sector finance and participation in the development of stations and railway services.

Replains  
Y

10. Rationalisation of British Rail Engineering Ltd's excess capacity should be completed as soon as possible. Railway rolling stock should be procured wherever possible by competitive tendering. In addition, you should complete an urgent review of the options for the future of BREL.

Replase  
by  
D

11. Your investment programmes should relate directly to the financial and business objectives set out above. You will clearly wish to give proper priority to cost saving investment which gives an early return; and to carrying forward the improvements which the Board has introduced in management accounting and control.

12. I look forward to working with you and your Board to achieve the good quality, efficient railway services which are our common goal and to seeing these objectives reflected in your 1984 Plan.

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SPT



cc: HMT  
D/ENV  
SO  
IND  
TRADE  
CH SEC HMT  
D/EN  
D/EMP  
NIO  
LPS  
CO

10 DOWNING STREET

10 October 1983

From the Private Secretary

Brief for Chairman of BR

The Prime Minister has seen your Secretary of State's minute of 5 October to which was attached a draft brief for the new Chairman of BR.

She recognises that although ENI decided to include no reference to closures it would be difficult to make no mention of this whatsoever, particularly given the statement in the manifesto. She feels however that the opening sentence of paragraph 4 commits the Government too tightly and she would prefer:

"Although I do not anticipate a programme of major route closures, I should welcome ....."

She feels the last sentence of paragraph 3 should be omitted as it is likely to arouse excessive expectations about finance for redundancy payments.

The Prime Minister has commented that paragraph 10 should include a reference to the privatisation of BREL and has suggested the following re-draft:

"The Board should complete its review of BREL by the end of the year and bring forward proposals soon afterwards for further rationalisation of its capacity and for privatisation. It should introduce competitive tendering; the railway equipment industry should be allowed the opportunity to offer its own design solutions to meet BR's requirements."

In paragraph 9 the Prime Minister feels that the phrase "I shall wish ..... to the private sector", tends to blunt the impact of the sentence and should be deleted. She considers it would be helpful to add a sentence to this paragraph along the following lines:

"The Board should pursue a vigorous policy of property development and disposal."

/ She considers

VC

She considers that the third sentence in paragraph 7 would have greater impact if it read:

"Within the financial targets set out above, I want you to win as much freight business from road as possible."

I am copying this letter to the Private Secretaries to members of E(NI), David Heyhoe (Lord Privy Seal's Office) and Richard Hatfield (Cabinet Office).

ANDREW TURNBULL

Miss Dinah Nichols,  
Department of Transport

NO



NBPM  
HT 25/10

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref: J/PSO/15536/83

Your ref:

25 October 1983

Dear Nick,

Tom King sent me a copy of his minute of 5 October to the Prime Minister covering the revised draft brief for the Chairman of BR.

The draft is quite acceptable to me. It is helpful to relate the objectives to the Board's corporate plans. I am also glad that you are asking the Board to work closely with London Regional Transport to provide a better deal for those travelling in and around London. This could help to improve conditions generally in the area.

Copies of this letter go to the other members of E(NI), John Biffen and Sir Robert Armstrong.

Yours  
Patrick

PATRICK JENKIN



Transport: Bl faves de Pt 7

25 OCT 1983





DEPARTMENT OF TRADE AND INDUSTRY  
1-19 VICTORIA STREET  
LONDON SW1H 0ET  
TELEPHONE DIRECT LINE 01-215 5422  
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Secretary of State for Trade and Industry

MA 13 October 1983

The Rt Hon Tom King MP  
Secretary of State for Transport  
Department of Transport  
2 Marsham Street  
London SW1

ZPH

Prime Minister (4)

Mr Parkinson supports Mr King's proposal to omit reference to privatisation of BREL. I have minuted that you favour including it.

AT 13/10

Dear Sir,

BRIEF FOR CHAIRMAN OF BR

Thank you for copying to me your minute of 6 October to the Prime Minister on this. I agree to the Brief in the form you propose having noted your view that an explicit commitment to privatisation of British Rail Engineering Ltd, might jeopardise the rationalisation of its capacity that is so urgently required. No doubt you will ensure that the privatisation option is fully explored by Mr Reid in his review of the future of BREL.

2 I am copying this letter to other members of E(NI), to John Biffen and to Sir Robert Armstrong.

Yours Ever,  
A. Leal



10 DOWNING STREET

From the Private Secretary

Prime Minister

Brief for Chairman of BR

You asked for the brief to be revised incorporating Policy Unit amendments. This has been done at Flag A, with the points of change indicated. The original is at Flag B. Flag C is the Chancellor's minute.

Before I put this back to Mr King there are ~~two~~<sup>three</sup> points on which your views are sought.

- (i) Agree delete reference to  
See note - no major closures or accept Mr King's wish to stick to manifesto?
- Yes (ii) Agree include reference to  
privatization of BREL?
- Yes (iii) Agree delete reference to  
assistance for transitional costs?

AT 7/10

Draft incorporating Policy Unit comments:  
④ - para 7 - after change  
⑤ - para 9 - please submit revised version to N.L. etc.

② Area deletion for para 3.  
③ in para 4 - please submit copy to N.L. and for copy to

OBJECTIVES FOR THE NEW CHAIRMAN OF BR

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2. Your guiding objective should be to run an efficient railway, providing good value for money within the financial objectives set out below. Services to your customers should be reliable, attractive and punctual, at acceptable fares and charges; and the cost to the taxpayer should be reduced. That is the way to achieve a secure future for the railway, enable worthwhile investment to go ahead and give your employees satisfaction and pride in their work.

3. The Board's current Plan shows the requirement for PSO grant from central government falling to about £700m (in 1983 prices) in 1986 and to about £635m in 1988. The Government wants you to go faster than this so as to reduce the requirement for central government grant to £635m (in 1983 prices) in 1986. Your 1984 Plan should show the measures required to achieve this. <sup>the profile of expenditure and</sup>  
(Sentence on transitional costs deleted)

4. <sup>sketch</sup> ~~It is not our intention that you should embark on~~ a programme of major route closures, ~~(At the same time)~~ I should welcome your early views, following the endorsement of the case by the Select Committee on Transport, on the practicability of introducing some guaranteed and subsidised substitute bus services, where they would be appropriate on local transport and value for money grounds.

5. I shall want you to work closely with London Regional Transport, when it is set up, and with other public transport operators, to provide a better deal for travellers in and around London and to avoid wasteful duplication.

6. It is the Board's responsibility to determine fares. But improved efficiency must make a full contribution to keeping down fares. The railway must not use its market position to raise fares unreasonably.

② Would you like to see on N.L. I think we have to say something about this but not with all possibility - what may be done

⑥ Area change para 13. not

7. The Board's 1983 Corporate Plan shows the freight business coming into profit by 1986. You should take the necessary action to ensure that it achieves a current cost operating profit of 5% in 1988. Within the financial targets set out above, I want you to win as much freight business from road as possible. The objective for the parcels business should be to continue to earn a proper commercial return. I look forward to receiving the Board's review of the Inter-City business against its commercial target.

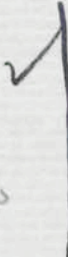
(Y)



8. The Government wants you to secure improvements to the railways' present industrial relations machinery, which has hampered good communications and slowed down the necessary pace of change.

9. The Board should make Sealink ready for privatisation as soon as possible. It should pursue a vigorous policy of property development and disposal, involving private capital. ~~The Board should be prepared to test its own efficiency wherever possible by inviting outside tenders for maintenance, cleaning, catering and other services.~~

(Y)  
(S)



meet agenda

Produce Tom King's for maintenance of road & other services

~~10. The Board should complete its review of BREL by the end of the year and bring forward proposals soon afterwards for further rationalisation of its capacity and for privatisation. It should introduce competitive tendering; the railway equipment industry should be allowed the opportunity to offer its own design solutions to meet BR's requirements.~~

(S)  
Mered

11. Your investment programmes should relate directly to the financial and business objectives set out above. You will clearly wish to give proper priority to cost saving investment which gives an early return; and to carrying forward the improvements which the Board has introduced in management accounting and control.

/12. I look

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12. I look forward to working with you and your Board to achieve the good quality, efficient railway services which are our common goal and to seeing these objectives reflected in your 1984 Plan.

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10 DOWNING STREET

From the Private Secretary

Prime Minister

The draft brief for Mr Reid has been improved but questions remain. Most important are: (See Mr Gregson's note).

- (i) Should there be a reference to closures (as in Manifesto) or not (as agreed in E(W1))?
- (ii) Should para on BREL refer to privatization? Or not?

Policy Unit have suggested a number of drafting changes, which you may find attractive

AT

Could you put the

6/10

Policy Unit draft to Mr. King and ask for his comments?

May I see a revised draft. It is difficult to read in the amended or present one

~~CC NO~~

P.01116

MR TURNBULL

BRIEF FOR BR CHAIRMAN

File with  
AT

The Prime Minister may find it helpful to have a note on how far the draft brief for the BR Chairman, attached to the Secretary of State for Transport's minute of 5 October, corresponds with the Prime Minister's summing up on 13 September (E(NI)(83)8th Meeting) when an earlier draft, attached to E(NI)(83)18 was discussed.

"Should be confined to objectives rather than methods and drafted more crisply"

2. The letter is about half as long as the original, mainly as a result of omitting redundant language, and leaving out the lengthy passage on relations with the Department (paragraph 16 in the earlier draft) which the Prime Minister particularly disliked.

"First and last sentences of paragraph 6 should be omitted"

3. The first sentence has gone but not the last: "It is not our intention that you should embark on a programme of major route closures." This reappears in the new draft as the first sentence of paragraph 4, where it has greater prominence than in the earlier version. It reflects what was said in the Manifesto: "nor ..... does it mean embarking upon a programme of major route closures". E(NI) thought that it would be better to avoid reinforcing that pledge by repeating it in the objectives letter. The counter argument is that Mr King will almost certainly be asked in the House and at the Press Conference whether the Manifesto pledge holds good, so that nothing would be achieved by leaving it out of the letter. Mr King would probably also



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argue that a series of individual closures can be distinguished, in due course, from "a programme of major route closures". The Prime Minister will however wish to consider carefully whether the sentence should be included.

"Examine the drafting of paragraphs 8, 10, 13 and 16 in the light of discussion"

4. The only point of substance on which Mr King has differed from the E(NI) view about these paragraphs concerns the future of British Rail Engineering Ltd (BREL). The Prime Minister will wish to consider whether she is convinced by the arguments in Mr King's covering minute, ie that the BR Chairman is adequately committed to the possibility of privatisation but that it would be counter-productive to refer to it in the statement.

Publication

5. E(NI)'s preliminary view was that the letter should be published but that a final decision could be taken when the text was settled. No new point has emerged which would argue against publication.

*As Philip Jones,  
Terms of reference of Sir Walter Marshall & Sir  
Norman Siddall was published. ∴ precedents point  
strongly in favour*

*AT* *PJG*  
P L GREGSON

6 October 1983

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MR. TURNBULL

BRIEF FOR CHAIRMAN OF BR

Tom King's revised draft is an improvement on the draft presented to E(A): it reads more like a set of instructions and is more ambitious in respect to financial objectives. Two aspects of the draft still concern us:

- the scope it allows BR to delay privatising BREL and Sealink;
- a number of drafting defects which weaken the overall thrust of the brief.

BREL

Tom King is reluctant to mention privatising BREL: it has too much capacity and is dependent on BR's designs and orders. Paragraph 10 invites BR to carry out the rationalisation, but this leaves no role for the market, which has an expertise in using assets more effectively. Moreover, there is little point in asking BR to procure by competitive tendering when it has too much BREL capacity on its books.

We would prefer this paragraph to read:

"The Board should complete its review of BREL by the end of the year and bring forward proposals soon afterwards for further rationalisation of its capacity and for privatisation. It should introduce competitive tendering; the railway equipment industry should be allowed the opportunity to offer its own design solutions to meet BR's requirements."

Detailed Points

Paragraph 2: We suggest inserting the condition here in the first sentence:

- Ⓐ "within the financial objectives set out below".

Paragraph 3: Delete last sentence: "prospects of transitional costs" can only encourage expectations of high redundancy payments.

Paragraph 4: The discussion at E(NI) suggested deleting all reference to a "programme of major route closures". We suggest deleting the term "subsidised" in relation to the substitute bus services. This will only irritate the bus industry and adds nothing: the services are already "guaranteed".

Paragraph 5: We suggest deleting "wasteful duplication". It is the Socialist language of co-ordinated transport policy which we are trying to escape from.

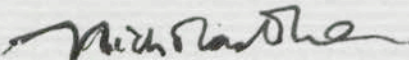
Paragraph 6: Delete the last sentence: why encourage BR and its employees to believe they have a "market position" to exploit?

Paragraph 7: We suggest that the third sentence needs a more commercial flavour:

ⓐ "within the financial targets set out above I want you to win as much freight business from road as possible".

Paragraph 9: We suggest rephrasing this paragraph to give a clearer sense of direction and urgency:

ⓐ "The Board should make Sealink ready for privatisation as soon as possible. It should pursue a vigorous policy of property development and disposal, involving private capital. The Board should be prepared to test its own efficiency wherever possible by inviting outside tenders for maintenance, cleaning, catering and other services."

  
NICHOLAS OWEN  
6 October 1983