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1200



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Charles Marshall Esq
Private Secretary
The Rt Hon John Biffen MP
Lord Privy Seal
Privy Council Office
68 Whitehall
LONDON SW1A 2HB

The PMS views conveyed by phone

A

17/10/83

couldn't - the same information contained in written letter. Indeed it could be fuller than or just identical.

11 October 1983

Yes into Prime Minister

Dear Charles,

Do you agree that Mr King should

STATEMENT ON BRITISH RAIL: 24 OCTOBER 1983 *make the proposed statement, subject to Mr*

Henry Derwent had a word with you on the telephone *Byfers* yesterday. My Secretary of State wishes to make a statement *news?* in the House on Parliament's first day back - 24 October - about the brief he proposes to give to the Chairman of British Rail. *A*

The brief has been discussed in E(NI) - 8th meeting, 13 September. More recently it was the subject of a minute of 5 October from my Secretary of State to the Prime Minister, copied to Mr Biffen. *17/10*

There are strong arguments for making a statement at the earliest opportunity. My Secretary of State wishes to prevent any more of the damaging and persistent criticisms to which the Government has been subjected since publication of Serpell by making a definitive statement of policy through the publication of the new Chairman's brief. In addition, the Select Committee on Transport recommended (2nd report 82/83 session) that a comprehensive statement of rail policy be published by the Government before the appointment of the new Chairman, and this statement in Parliament would provide a response to that. An announcement by means of a written or oral P.Q. would provide nothing like the same opportunity for getting the Government's message across and allaying unjustified fears about railway policy post-Serpell. And in our view the House might expect a statement to be made on this subject.

The Secretary of State of course recognises that other Chairmen's briefs have not been launched in this way, but in his view none of them is of such public interest, or has amounted to such a major statement of policy.

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My Secretary of State is, as you know, First Order for Questions on 24 October; there are a number of questions about British Rail, the BR Chairman and Serpell, and it would be very difficult to answer them by reference to a statement to be made later than that very day.

The draft of the statement itself will depend on Ministers' agreement to the terms of the brief. It is not his intention to read out the brief (a copy of which is attached for reference), but to pick out the salient points.

I would be very grateful if you, Tim Flesher at No 10 and Murdo Maclean in the Government Whip's Office (to whom I am copying this letter), could let me know whether it would be possible for us to make the statement on that day.

*Yours sincerely,
Dinah Nichols*

MISS D A NICHOLS
Private Secretary

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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. 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. 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. 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.

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. The Government looks to you to obtain from the private sector more supply and support services, including rail and station catering. I shall welcome proposals from you for more private sector finance and participation in the development of stations and railway services.
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.
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.

PC No



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

20 October 1983

How Dinah,

STATEMENT ON BRITISH RAIL: 24 OCTOBER

*RT
20/10*

Thank you for your letter of 11 October.

As I explained when we discussed this on the telephone, the Leader of the House and the Chief Whip are both concerned that your Secretary of State's proposed statement should not set a precedent which would weaken our ability to resist pressure for oral statements, in future, when new Chairmen of Nationalised Industries are appointed. They very much hope therefore that it will be possible, on this occasion, to avoid linking the Statement directly with Mr Reid's appointment. When we spoke, you indicated that this should not be a problem.

I am copying this to Tim Flesher (No 10) and Murdo Maclean in the Chief Whip's Office.

*Yours ever,
D.C.R.*

D C R HEYHOE
Private Secretary

Miss Dinah Nichols
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2 Marsham Street

Transport,
BR Fares,
P77

20 OCT 1957

