

PRIME MINISTER

BR Statement

Mr. Ridley's statement today met with a mixed reception, While opinion on its merits was divided along partisan lines for the most part (although Robert Adley attacked it strongly) most speakers on the Government's side welcomed specifically the fact that major route closures were ruled out. Terence Higgins, David Price and Brian Mawhinney all took such a line. The strongest support for Mr. Ridley came from Matthew Parris and Tim Eggar. The Opposition predictably enough demanded an increased subsidy and an end to privatisation schemes.

Overall, however, the substance of what Mr. Ridley had to say was more suitable for written answer than oral statement.

24 October 1983

British Rail

4.4 pm

The Secretary of State for Transport (Mr. Nicholas Ridley): With permission, Mr. Speaker, I should like to make a statement.

The Government have listened carefully to the wide public debate on the Serpell report and in particular to the views of the Select Committee on Transport. What emerges strongly from that debate is that it is for the Government to give the railways a clear framework and objectives, and for the British Railways Board to direct and manage its business in the light of them. Accordingly, I have today sent to the chairman of the board, Mr. Reid, a statement of the objectives which the Government wish him to pursue. Copies are available in the Vote Office and I will arrange for it to be published in *Hansard*.

An efficient railway has a vital part to play in the transport system, but it must give its customers value for money. By giving customers the services they want at a reasonable cost, the railway can secure its own future, and the people who work in the industry can feel pride in their work. British Rail has already begun to introduce really significant improvements, to which I want to pay a warm tribute. The firm objectives I am now setting are designed to further that process.

The board's latest corporate plan is clearly going in the right direction and the objectives I have set Mr. Reid build upon it. In its 1983 plan, the board envisages a requirement for central Government grant of about £635 million—in 1983 prices—by 1988. I am setting the chairman the objective of achieving that target—a grant requirement of £635 million in 1983 prices—two years sooner.

The objectives I have set for the chairman make it plain that it is not our intention that the board should embark on a programme of major route closures. This puts paid to the scare stories about the network, about which we heard so much following the publication of the Serpell report.

This does not rule out the board proposing changes locally, where they make sense. It is for the chairman to consider new forms of guaranteed and subsidised substitute bus services, where appropriate on local transport and value for money grounds.

The freight, parcels and inter-city businesses can and should work to a commercial objective. The Government believe that rail freight has strong environmental advantages over road freight, so we want as much freight as possible to go by rail, within the financial target for the business, which is to achieve a 5 per cent. return by 1988. The scheme of section 8 grants for rail freight facilities will continue.

The board's plan envisages an increase in investment from present levels. I shall support worthwhile investment which relates directly to the financial and business objectives that we have set.

The railway is operating in a highly competitive market, so it is to the board's advantage to obtain rolling stock wherever possible by competitive tendering and to rationalise excess capacity within BREL as soon as possible. I have asked the chairman to complete by the middle of next year a review of the options for the future of BREL, including the options for privatisation. All the options will be examined on their merits.

Greater private sector finance and involvement can help to improve services for customers and keep down costs. I have therefore called on the chairman to continue to seek greater private sector participation in the development of the railway.

The statement of objectives confirms the Government's intention to privatise Sealink, and also calls for improvements in the railway's industrial relations machinery.

With these objectives, the way is clear for the board to manage the railway so that it gives the country the good quality, efficient service which we all seek.

Mr. Robert Hughes (Aberdeen, North): The Secretary of State's statement and letter offer not a glimmer of hope or a scrap of encouragement to those who seek a decent service in British Rail, or to those who work in or manage British Rail. The statement makes no mention of investment money or investment objectives, and nothing is said about railway electrification, which has been shuttlecocked backwards and forwards between the Secretary of State's Department and British Rail. There can now be no possibility of a quick decision as, presumably, this statement will mean that all the sums will have to be redone. Rail investment was down to £269 million in 1982, when British Rail said that it required £500 million annually to prevent the crumbling edge of quality. Investment cannot be sustained because in recent years British Rail has been forced to cut its investment programme and to live within the harsh economic climate that the Government have created.

Earlier today, the Secretary of State announced that this year's public service obligation grant was to be £819 million, which is £40 million less than British Rail asked for in the corporate plan that it published in August this year. The Secretary of State's statement and letter speak of £635 million in 1986, which is £65 million less than the estimated 1988 requirement. Therefore, on British Rail claims alone, the Secretary of State is withdrawing from British Rail over £200 million of financial support in three years. More than that is being withdrawn when one balances this against the much reduced claims that the Government have forced on British Rail.

The withdrawal of this money can only be brought about by service cuts, line closures, fare rises and accelerated job losses, but the Secretary of State has the cheek to say that he wants British Rail to try to foster a better industrial relations climate. Some 30,000 rail jobs were lost between 1970 and 1979 and a further 42,500 will go between 1981 and 1985.

In his letter, the Secretary of State says that he wants substitute bus services guaranteed. We know that these guarantees did not last for long after the Beeching report. We need to ask the Secretary of State what he means by no "major route closures". Does he mean a 10 per cent. cut in the rail network, a 20 per cent. cut, a 30 per cent. cut or more?

In answer to the Serpell committee report, British Rail made it clear that it was opposed to the privatisation of BREL. It is clear that British Rail must have the full in-house capacity to provide its modern rolling stock. An in-house rail capacity provides a basis for exports that can greatly benefit us. Undoubtedly, further closures of this capacity within British Rail would be to the detriment of British Rail services.

The Secretary of State has not grasped the fact that, compared with other railway systems in Europe, British Rail operates on a much lower subsidy. The Secretary of State would have been far better off if he had taken a little more time over his assessment than the five or six days that he has had since he has been in office. It is clear that the Secretary of State has not changed jobs but merely changed the office in which he works. He will have to do better than this if he is to live down his tag of "Lawson's office boy".

Paragraph 5 of the Serpell committee report said:

"our review has been concerned with the railway's finances, not transport policy."

That is why the report was hopelessly inadequate. The Secretary of State has made the same fundamental error, and that is why his statement and letter are so hopelessly inadequate. If this is what the Secretary of State has delivered to British Rail, to those who work in it and to those who are served by it in his five days of office, I hope that he does not last as long as his predecessor, who lasted five short months.

Mr. Ridley: On the contrary, this is a document of hope for those who travel on the railway and those who work in it. If the improvement in performance can be maintained there is a secure and commercial future for the railways which will be to the benefit of both groups. The hon. Member for Aberdeen, North (Mr. Hughes) is wrong in his rather grudging welcome to the statement.

The hon. Gentleman spoke of investment, but last year British Rail implemented only 75 per cent. of its investment programme. It is up to British Rail to suggest worthwhile investment proposals for the future. Its plans include significantly higher levels of investment and I shall be glad to support worthwhile projects related to the objectives that we have set the board for investment.

The hon. Gentleman spoke of the level of grants, and I should have thought that he would have been delighted to see the need for public money being reduced by efficiency and railway improvement, because he must not forget to add the passenger transport executive grants, which could amount to about £70 million a year, and which have to be added to the figures in the letter that I sent to the chairman. It is for the very reason that he mentioned in connection with substitute bus services that the word "guaranteed" is included in the objectives. Of course they have to be guaranteed if they are to replace a railway line, but I should have thought that he would agree with the Select Committee on Transport and also with the House, when it debated these matters in February, that this was a worthwhile way of seeking to improve transport facilities.

On the subject of BREL, the engineering workshops, the hon. Gentleman seemed to think that a large in-house capacity was needed to help to secure exports as well as to refurbish British Rail. The hon. Gentleman must realise that if rolling stock is to be exported it has to be competitive. The chairman is asked to make sure that BREL becomes highly competitive so that it will win orders from both British Rail and from overseas. Again, I should have thought that the Opposition shared that objective.

Finally, the hon. Gentleman talked about the subsidies that other railways receive. Rather than thinking that the bigger the subsidy that we can give British Rail the better,

he should recognise that the smaller the subsidy that we give British Rail, because it is more efficient, the greater the national achievement would be.

Mr. Terence Higgins (Worthing): I welcome my right hon. Friend's statement, which makes it clear that the scare stories put about, particularly by the Liberal party on the south coast during the general election, were false and the fears that they sought to stimulate in the light of the Serpell report were ill founded. Does not my right hon. Friend agree that it is extraordinary that the Opposition Front Bench still will not take yes for an answer on that matter? Is it not true that further investment must depend on the removal also of restrictive trade practices in the railways, and that the experience we had with the massive investment on the St. Pancras line, which lay wasted for so long, must not be repeated?

Mr. Ridley: I entirely agree with my right hon. Friend. I repeat that we envisage no major change in the size of the network. My hon. Friend the Under-Secretary quoted the Labour party's manifesto on transport policy for the election, which clearly did not insist that every line should be maintained. Of course we must be flexible in these matters. I have said what our intention is for the network, and I hope that that lays to rest the scare stories that have been circulating. I entirely agree that productivity is the key to the future of the network. I congratulate the railways on what they have already done and I urge them to do more.

Mr. Ron Lewis (Carlisle): Will the Minister be a little more explicit on what he said about no major rail closures? Does he consider that the 70-mile stretch of railway from Settle to Carlisle is a major bit of railway? Will he give an assurance that, if he is asked by the British Railways Board to close that line, he will, in view of the outcry from all parts of the country, see that the proposal is blocked?

Mr. Ridley: If and when the British Rail proposal to withdraw passenger services on the Settle to Carlisle route come to me, I shall consider it on its merits. In the meantime, I must not do or say anything that would or might appear to prejudice my position, because I have to take the eventual decision.

Sir David Price (Eastleigh): Will my right hon. Friend accept that Conservative Members very much welcome his clear statement that he sees no need for any major reduction in the network? Secondly, on his important point about the key to the future of British Rail being improved productivity, with which certainly all Conservative Members agree, does he accept that to reduce the need for continuing subsidies it is important to get an increase in the capital infrastructure of the railways? One can see clearly in BREL that to reduce the need for maintenance we need new stock. Will my right hon. Friend therefore distinguish between current expenditure and capital investment?

Mr. Ridley: I repeat that it is not our intention that the board should embark on a programme of major route closures. I agree with my hon. Friend that investment is vital to the future efficiency of the railways. As I said, we shall look with favour upon proposals for investment, even if they show an expanding total in the future, provided that they are properly costed and are investments that will yield a reasonable rate of return.

Mr. Ian Wrigglesworth (Stockton, South): If that is the case, does the Secretary of State accept that an overwhelming case has already been made for such investment in rail electrification? Will he therefore stop giving evasive answers such as those that were given by his colleague at Question Time today about electrification, particularly in connection with the east coast route? As it will help to improve the efficiency and performance of British Rail in the future, will he make it clear to the House and to British Rail that that is the direction that he wants to take?

Mr. Ridley: I have already been chided for coming to a decision within five days about this matter. I cannot reach a decision about the electrification of the east coast route in that short time. However, I can tell the hon. Gentleman that we are awaiting the inter-city strategy from British Rail. When it puts forward plans for inter-city business to achieve its expected rate of return, that will be the time to consider major investments of that nature, and we shall consider them in the light of whether they are proper commercial investments.

Mr. Derek Foster (Bishop Auckland): In the light of the Minister's statement this afternoon, what glimmer of hope can he give the people of Shildon, where 2,500 jobs are to go in a town of only 14,000 people? Will not further privatisation of British Rail engineering works involve further closures of that nature, further job losses, and further destruction of rail communities? Will the Secretary of State answer that?

Mr. Ridley: I understand that the British Railways Board has already confirmed the closure of Shildon and two other works. It is not for me to say which works should or should not be closed. It is for me to set out the Government's objectives to the railways, and it is for the British Railways Board to run the railways and take the management decisions. I am sure that the hon. Gentleman understands that that relationship must be preserved if the railways are to have a real chance to improve their position in the future.

Mr. Robert Adley (Christchurch): My right hon. Friend has told us what he wrote to the chairman, but is he aware that if I were the chairman I would write back to him and say: "Dear Minister, Thank you for your charming letter which, in elegant phrases such as 'value for money' and 'highly competitive market', does not tell me anything at all. Can you please tell me whether you will provide the funds to electrify the railway and to provide this country with the modern railway that we need?" The chairman would also ask: "Are you aware, Minister, that British Rail covers a higher percentage of its fares than almost any other railway in the world from its own revenue? Are you also aware, Minister, that I am constantly asked to produce my accounts for the railways, showing track costs, and so forth, while my competitors on the roads have all their costs paid under general taxation? Can you please give me answers to these questions, Minister?"

Mr. Ridley: My hon. Friend's letter to me was a little long and I should like to read it in *Hansard* to make sure that I pick up all the points that he made. What am I doing for the railways? I have offered to provide £819 million this year and £635 million in 1986. By any standards, those are sizeable sums, and within those sums will be

ample funds for the investment programme which all hon. Members who have spoken so far have stressed and which the Government accept as important. I think, too, that all hon. Gentlemen accept that investment should be directed towards improving the performance and quality of the railway, and not just be investment for investment's sake.

Mr. Harry Cowans (Tyne Bridge): Is the Minister aware that he has just delivered a demoralising body blow not only to the people who work in the industry but to the customers? If one reads between the gobbledegook that has just come from the Dispatch Box, one sees that it really says: "For your efforts in the past"—on which the right hon. Gentleman congratulated the British Railways Board—"you have to accelerate that programme by two years." On the other hand, the statement says further on: "You shall not increase your fares unreasonably." No firm in the private sector could possibly operate in that way. Is not the Minister aware of what that would do? How can he possibly go on saying, as he does, time after time, that there will be no major closures, given the criteria that he has just laid down? Will he please desist from misleading the House by quoting only those parts of the Select Committee report which supports his case? If he will not deal with the report in its entirety, may we debate it in the House?

Mr. Ridley: As the hon. Gentleman knows, both the Serpell report and the British Rail Board's plan showed that major savings could be made partly through investment and partly through improved working practices. The Government have merely said that if those major savings can be made they should be made as quickly as possible, because the sooner they are made the sooner the railways will be modern and efficient. That is not a body blow to the railway industry but an encouragement to it to bring itself to a position in which it can secure its future by attracting customers. If the hon. Gentleman would see the matter in that light, he would realise what an opportunity this is for the railways to establish themselves, not so much at the taxpayers' expense, I hope, but to the benefit of the customers who should be paying the fares.

Mr. Matthew Parris (Derbyshire, West): Has my right hon. Friend noticed the financial mess into which unlimited subsidy has led the German state railway system? May I wish him all strength in resisting pressure to go down that track?

Mr. Ridley: I need no encouragement to avoid that track. British railways might well begin to be among the most efficient in the world if they can meet the requirements and the objectives that I have set out. The greatest error of all is to fall into the trap of thinking that the more money one throws at the railways, the better the railways will be. I suspect the reverse to be the case.

Mr. Stephen Ross (Isle of Wight): We congratulate the right hon. Gentleman on the speed with which he has reached his decision as to the future guidelines for the railways, but we wish that he had taken longer to consider the implications. We suspect that the information and advice given to him by the Department is anti-rail. I suggest that his contribution today has done nothing to improve the morale of the railways.

If the right hon. Member for Worthing (Mr. Higgins) is satisfied with the rolling stock in the south of England, I am certainly not, and I am sure that a great many people agree with me.

As to the future privatisation of Sealink, can the Secretary of State give a time scale for that? Does he intend British Rail to retain a substantial shareholding—below 50 per cent.—in a future company that will operate those services?

Mr. Ridley: With regard to rolling stock, I appreciate that there is a particular problem in the Isle of Wight, which has special requirements due to the gauge and track. We are not interfering with sound investment decisions by British Rail for the future. They will be enabled to go ahead. The Department is not anti-rail, and nor am I. I reinforce that by saying that the objectives have been discussed with the chairman of British Rail and I sincerely believe that he will find them helpful and will be able to live with them. Far from being anti-rail, I believe that the proposals will be welcomed by the railways.

The objectives require the chairman to have Sealink ready for privatisation as soon as possible, but I can tell the House neither when that will be nor the exact method of privatisation and eventual shareholding afterwards.

Mr. Rob Hayward (Kingswood): Does the Secretary of State not agree that the prime responsibility of the railway is to serve its customers who require a clean and reliable service at reasonable cost?

Mr. Ridley: My hon. Friend could not have put it better. That is exactly what we should be looking to. Those who work on the railways should ensure that their service appeals to travellers so as to attract extra custom and thus ensure a flourishing railway.

Mr. Martin Flannery (Sheffield, Hillsborough): The cuts in the railways are responsible for the great lack of staff to clean and maintain them. Are not the Government going headlong down the path of privatisation without any proof that the result will not be chaos on the railways which we shall later have to clear up? The railways were originally nationalised because of their inefficiency.

The Secretary of State asked where he would find the taxpayers' money to put into the railways. Has he considered that the throwing of taxpayers' money, as the saying now goes, has resulted in more than £3,000 million going to the farmers? I suggest that he takes some of that away from his pals and puts it into the railways as they urgently need it. According to his argument, the farmers will become more and more inefficient if more money is thrown at them, but they seem to be making millions for themselves while somehow maintaining a certain amount of efficiency. Will the Secretary of State explain that?

Mr. Ridley: There is a lot to explain.

Mr. Flannery: Is the right hon. Gentleman a farmer by any chance?

Mr. Ridley: Alas, I am not. There are no cuts in the statement. There is a reduction of subsidy to meet increased efficiency. I do not regard that as a cut. There are no grounds for believing that we can privatise the railways in the near future. That is not in the objectives that I have set for the chairman and I do not believe that it would be possible within that timescale, but it would

clearly be most undesirable if the hon. Gentleman were ever allowed to clear up the mess in this or in any other area.

I refer the hon. Gentleman to my right hon. Friend the Minister of Agriculture, Fisheries and Food if he wishes to discuss farming.

Mr. Tim Eggar (Enfield, North): Is my right hon. Friend aware that a very warm welcome will be given to his statement, especially the emphasis on the introduction of private capital into all aspects of the railway's activities? Can he assure the House that higher priority will be given to the sale of redundant property, of which there is a great deal, especially in the inner cities?

Mr. Ridley: BRIL, the investment subsidiary of the railways, has already sold a great deal of property. The objectives expressly require the chairman to press on to ensure that the sale of surplus property is increased. That has already made a great difference to the funds available to the railways for investment.

Mr. Frank Dobson (Holborn and St. Pancras): Will the Secretary of State confirm that his statement represents a move towards the introduction of full economic fares for commuters in the south-east?

Mr. Ridley: No, sir.

Dr. Brian Mawhinney (Peterborough): Given my right hon. Friend's welcome remarks about investment, may we assume that if the British Railways Board meets the commercial criteria laid down by the Government for the electrification of the east coast line, the Government will respond quickly by giving approval for that to go ahead?

Mr. Ridley: Yes, but there is one qualification. We wish to see the plan for the development of the inter-city service as a whole rather than take one bit in advance. We want to see the inter-city services operating on a plan which will bring a return on capital. That is the background against which we shall judge each electrification application.

Mr. Geoffrey Lofthouse (Pontefract and Castleford): I welcome some of the right hon. Gentleman's comments if he really means them. He said that he would support local changes where they made sense and that he supported the movement of freight by rail. Is he aware that most of the north Yorkshire coalfield product travels by rail through the centre of Knottingley in my constituency? Is he further aware that in the near future the vast bulk of the product from the new Selby coalfield will travel the same way? Does he appreciate that at that point the town's transport system will collapse and the environmental conditions involved will make many residential areas uninhabitable? In view of that, and bearing in mind his comments today, will the Secretary of State support the provision of a rail by-pass for the southern part of Knottingley?

Mr. Ridley: I cannot be asked to do the Chairman's job and make decisions on where lines should be. If the hon. Gentleman's question relates to the south Yorkshire passenger transport executive he may be able to get help from that source. When management decisions are before the board I want to ensure that the Government's objectives are clearly set out.

Following is the statement of objectives—

[Mr. Ridley]

R. B. Reid Esq. CBE
The Chairman
British Railways Board
Rail House
Euston Square
LONDON NW1

24 October 1983

Dear Chairman

This letter sets out the objectives the Government wishes you to pursue. It supplements the statutory and financial duties of the Board.

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.

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 profile of expenditure and the measures required to achieve this.

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.

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.

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.

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.

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.

Sealink must be made ready for privatisation as soon as possible. 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. The Board should continue to pursue a vigorous policy of property development and disposal.

Rationalisation of British Rail Engineering Limited's excess capacity should be completed as soon as possible. You should complete your review by the middle of next year of the options for the future of BREL, including the options for privatisation. Railway rolling stock should be procured wherever possible by competitive tendering; and the railway equipment industry should continue to be allowed the opportunity to offer design solutions to meet BR's requirements.

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.

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.

Yours sincerely
Nicholas Ridley

NEW MEMBER

The following Member took and subscribed the Oath:
David John Maclean, Esq., Penrith and The Border.

BF for statement in Hansard

OBJECTIVES FOR THE CHAIRMAN OF BRITISH RAIL

With permission Mr Speaker I would like to make the following Statement:

1. The Government has listened carefully to the wide public debate on the Serpell Report and in particular to the views of the Select Committee on Transport. What emerges strongly from that debate is that it is for the Government to give the railways a clear framework and objectives, and for the British Railway Board to direct and manage its business in the light of them. Accordingly I have today sent to the Chairman of the Board, Mr Reid, a statement of the objectives which the Government wishes him to pursue. Copies are available in the Vote Office and I will arrange for it to be published in Hansard.

2. An efficient railway has a vital part to play in the transport system, but it must give its customers value for money. By giving customers the services they want at a reasonable cost, the railway can secure its own future, and the people who work in the industry can feel pride in their work. British Rail has already begun to introduce really significant improvements, to which I want to pay a warm tribute. The firm objectives I am now setting are designed to further that process.

3. The Board's latest Corporate Plan is clearly going in the right direction and the objectives I have set Mr Reid build on it. In its 1983 Plan, the Board envisages a requirement for central government grant of about £635m (in 1983 prices) by 1988. I am setting the Chairman the objective of achieving that target - a grant requirement of £635m in 1983 prices - two years sooner.

4. The objectives I have set for the Chairman make plain that it is not our intention that the Board should embark on a programme of major route closures. This puts paid to the scare stories about the network about which we heard to so much following the publication of the Serpell Report.

5. This does not rule out the Board proposing changes locally, where they make sense. It is for the Chairman to consider new forms of guaranteed and subsidised substitute bus services, where appropriate on local transport and value for money grounds.

6. The freight, parcels and inter-city businesses can and should work to a commercial objective. The Government believes that rail freight has strong environmental advantages over road freight. So we want as much freight as possible to go by rail, within the financial target for the business, which is to achieve a 5% return by 1988. The scheme of section 8 grants for rail freight facilities will continue.

7. The Board's Plan envisages an increase in investment from present levels. I shall support worthwhile investment which relates directly to the financial and business objectives we have set.

8. The railway is operating in a highly competitive market. So it is to the Board's advantage to obtain rolling stock wherever possible by competitive tendering and to rationalise excess capacity within BREL as soon as possible. I have asked the Chairman to complete by the middle of next year a review of the options for the future of BREL, including the options for privatisation. All the options will be examined on their merits.

9. Greater private sector finance and involvement can help to improve services for customers and keep down costs. I have therefore called on the Chairman to continue to seek greater private sector participation in the development of the railway.

10. The statement of objectives confirms the Government's intention to privatise Sealink. And it also calls for improvements in the railway's industrial relations machinery.

11. With these objectives, the way is clear for the Board to manage the railway so that it gives the country the good quality, efficient service which we all want.

Monday 24 October 1983





DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

R B Reid Esq CBE
The Chairman
British Railways Board
Rail House
Euston Square
LONDON NW1

24 October 1983

Dear Chairman

This letter sets out the objectives the Government wishes you to pursue. It supplements the statutory and financial duties of the Board.

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.

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 profile of expenditure and the measures required to achieve this.

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.

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.

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.

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.

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.

Sealink must be made ready for privatisation as soon as possible. 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. The Board should continue to pursue a vigorous policy of property development and disposal.

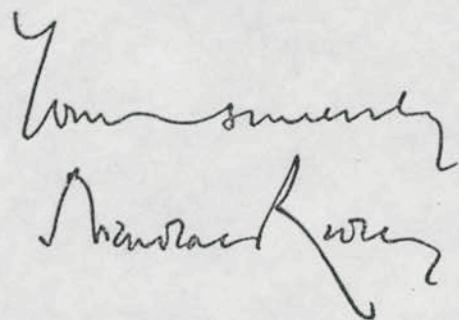
Rationalisation of British Rail Engineering Limited's excess capacity should be completed as soon as possible. You should complete your review by the middle of next year of the options for the future of BREL, including the options

for privatisation. Railway rolling stock should be procured wherever possible by competitive tendering; and the railway equipment industry should continue to be allowed the opportunity to offer design solutions to meet BR's requirements.

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.

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.

NICHOLAS RIDLEY

A handwritten signature in dark ink, appearing to read 'Nicholas Ridley', written in a cursive style. The signature is positioned to the right of the typed name 'NICHOLAS RIDLEY'.

2 6/11/83



A circular red stamp with numbers 1 through 12 around the perimeter and a central design.