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INDUSTRIE
Mr James
Mr Howe

10 DOWNING STREET

From the Private Secretary

4 June 1979

I am writing to record the outcome of our consultations today about fuel allocation for British Rail.

I wrote to you earlier in the day recording the Prime Minister's concern at the advance warning you gave me on Friday of a cut in fuel deliveries to BR, which would lead to an announcement of a reduction in passenger miles. You then provided up-dated figures showing that the oil companies have agreed to apply a 7.3% reduction in supply to BR, but to assess this against BR's diesel oil requirement for June 1979, not their June 1978 utilisation. You explained that BR would announce today cuts of about 5½% in 'passenger' miles concentrated on diesel-hauled, off-peak, local services, with some thinning of inter-city services. You pointed out that BR hoped to achieve a 1% saving by good housekeeping, and that they were reluctant to reduce freight services because of, eg, the effect on coal deliveries to power stations.

Note: D. Transport
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The Department of Energy confirmed to me that "7.3% of June requirement" was the most favourable treatment which could be negotiated with the oil companies on BR's behalf without formal Government intervention. They also confirmed that BR are in fact receiving more favourable treatment than most consumers, as a base of the 1978 utilisation has been used to calculate a 7.3% reduction for other users.

On the basis of these various clarifications, the Prime Minister has agreed that the Government should not intervene over the announcement expected from BR later today. I would be grateful if your Information Department, and that of the Department of Energy, would keep in close touch with the Press Office here at No. 10 over the handling of this matter.

I am sending a copy of this letter to John Arnott (Department of Energy).

M. A. PATTISON

Mrs E.C. Flanagan,
Department of Transport.

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BACKGROUND NOTE

DIESEL SUPPLIES TO BRITISH RAIL

The outcome of the Railway Board's dealings with the oil companies and their evaluation of the results so far is:

- (a) The oil companies have agreed to calculate the reduction in supply against this year's railway requirement and not against last year's level of supply, so that in consequence the net shortfall of diesel oil deliveries to the railways in June will be some 7.3 per cent less than the railway's requirement.
- (b) The Board have decided that they must introduce service reductions from next Monday which will be broadly some 5½ per cent cut train miles concentrated on diesel-hauled, off-peak, local services and some thinning of inter-city services. They hope to make a saving of something of 1 per cent by good housekeeping.
- (c) The Board have been working through the weekend on timetable alterations; and they must announce these by the end of the day because they have to start talking to the unions and notifying the men of the changes in work.

We shall have further details of the service changes in the middle of the day.

We have told the Department of Energy the position reached by the Railways Board. They hold out no prospect that any improvement could be secured.

The general line which we would take with the press is that we have made sure, through BR and otherwise, that the oil companies fully understand the consequences for rail services of the cuts in supply that they are imposing; the Government cannot set priorities for diesel supplies and enquiries on that point should be referred to the Department of Energy. Following BR's announcement, it will be necessary to say that the Board have informed us of the steps

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it is necessary for them to take and we agreed that the brunt of the reductions have to be borne by the passenger services and not, for example, by the freight services that are carrying coal to power stations. Most of the London commuter services are, of course, electrified and so will not be affected.

Department of Transport
4 June 1979
