

070



CONFIDENTIAL

Prime Minister

Agree to the
announcement as
proposed at X

Excellent, for send below?

ok

R

PRIME MINISTER

28/9

CONFIDENTIAL

When British Rail published their "half-yearly report" last month a number of Press reports forecast fares increases of 20-25% next January. By the cuts that I have proposed in the cash limits for the Board I have been tightening their financial regime. But at the same time I have challenged the grounds for fares increases on the scale of the Press Reports. My pressure has had results which I think you will much prefer. The general increase now being considered by the Board is around 18%. This will be very close to the year-on-year inflation rate at the end of the year and will compare well with the earlier and gloomier story of prospective increases. I have reminded Sir Peter Parker, however, that it will be for him to explain to the public the need for the increase.

I know that the Board will be really up against it to keep within their cash limits for 1979/80 and 1980/81. But my judgement is that it is not impossible for them to do so and I want to keep the limit tight in order to help bring about the improvements in efficiency that are necessary if the railway's demands for support are to be contained in later

CONFIDENTIAL

CONFIDENTIAL

years. To give them more money in order to keep fares down would of course undermine the financial discipline I am aiming to impose.

I have also been looking at the commuters' position. The Board do not envisage that the fares increase would have any general loading against commuters. But they are considering various particular increases within the fares structure for the London and South East region including reductions of discounts on season tickets. The proposed measures would not individually raise much additional revenue, and I have pressed Sir Peter Parker very hard to think again about the need for any of them that could be seen as discriminatory by London rail commuters.

The Board will be taking their decision at their meeting on 4 October. I will let you have a further report immediately thereafter. The Board do not intend to announce their decision immediately, but because many people are involved in implementing them knowledge of them is likely to get around in the following weeks.

X | Whether or not the Board decide on larger-than-average increases for any of their London commuter services, I think that it would be a sensible initiative to announce that we will be asking the Monopolies and Mergers Commission to look at the efficiency of BR's London commuter services. An earlier idea was that this intended reference might be announced during the course of the Second Reading of the Competition Bill.

CONFIDENTIAL



CONFIDENTIAL

But I now think that there is much to be said for an earlier announcement ahead of the Board's announcement of their increases so that we do not appear to be merely reacting to that. The best time would, I think, be just before the Board's meeting next week. Since any political criticism about fares will be aimed at me (in spite of the Board's prime responsibility), I would like, if you agree, to make the announcement.

I am sending copies of this minute to members of the Cabinet, the Chief Whip and Sir John Hunt.

NORMAN FOWLER
27 September 1979

CONFIDENTIAL