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PRIME MINISTER

BRITISH RAIL FARES

An increase in fares of this size  
movement will lose more traffic.  
agree with the C.S. I doubt whether B.R.

have enhanced their other expenditure

economies  
sufficiently.

We cannot  
increase the

GFL but  
fare increases  
with only  
a few pence

B.R.7 million  
net.

Annex 1

The issue, as stated here, is  
whether to grant B.R. a £12m  
addition to their EFL, or to  
let them bring forward the 20%  
fare increase from November to October.

The Unit Secretary (Play A) wants  
a fuller assessment. But if there  
isn't time for this, he would prefer  
the earlier  
fare increase.

Do you

1. You will have seen my correspondence with the Chief the earlier  
Secretary. fare increase.

2. It is of great political and practical importance to us want to  
to maintain the discipline of the external financing limits. raise  
I have taken a very firm line with Sir Peter Parker on the need at  
to act promptly and effectively to keep within the limits, and E  
I have had a ready response. Under his chairmanship, the on  
Railways Board have a good and consistent record of keeping broadly  
within their financial limits, in every year since 1976. As ?  
Sir Peter Parker made clear at the Chancellor's recent meeting  
with Nationalised Industry Chairmen, he (unlike some other R  
Chairmen) regards this as an important management discipline. ..

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3. I am satisfied that the Board have been keeping their  
rapidly changing prospects under very close review and taking  
promptly the decisions that are needed. They are sending more  
locomotives, wagons and rolling stock to scrap, cutting back  
on train operations, reducing fuel and other stocks, slowing  
down investment, curbing recruitment, and pushing forward  
on their productivity changes. They are also speeding up  
property sales. But the fact is that railway costs cannot  
be cut back as quickly as the traffic loss they are suffering.

4. But I am concerned now with another political priority.  
If British Rail, under the pressure of their financial limits,  
put up their rail fares in early October, then up to 75,000  
commuters with annual season tickets will face a rise of some  
40% when they come to renew them later this year. If the  
increase is put off until 30 November, almost all will renew  
their tickets at the rate which contains only last January's

i.e. last  
January's 20%  
plus a further  
20%.

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increase of 20%. That is the issue we have to face in deciding whether to raise British Rail's EFL to allow them to borrow an extra £12m so as to make the deferment possible. I would prefer a regime of twelve month intervals between fare increases, but we cannot achieve that this year.

5. I am afraid there is now some urgency in this. BR will have to decide at their Board meeting on Thursday, 7 August whether or not they are to put up their fares in October.

6. I am sending copies of this to the Chief Secretary, to other members of the Cabinet and to Sir Robert Armstrong.

NORMAN FOWLER

31 July 1980