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MFJ/DS



bc Mr. Walters  
Mr. Vereker  
Mr. Rickett

10 DOWNING STREET

From the Private Secretary

2 March 1982

British Rail: Temporary Borrowing/Review of Finances

The Prime Minister held a meeting this afternoon with your Secretary of State. The Chief Secretary, Treasury, was also present.

The Prime Minister said that there must be no implication that the taxpayer was being landed with the costs of the recent ASLEF dispute. Your Secretary of State agreed that it must continue to be made clear that the costs of the ASLEF dispute were having a real impact on BR's financial position; and that the Government should take no action which would be seen to be an accommodation of the Board's difficulties. It would also be important to avoid any action that would make Sir Peter Parker's position more difficult in the weeks ahead. On the specific suggestions in my letter to you of 1 March, your Secretary of State said he appeared to have no power to purchase assets from the Board. There were also difficulties about the propriety of making an advance payment of next year's specific passenger grant.

After discussion it was agreed that attention should be focussed on BR's EFL. On present information, it appeared likely that they would exceed their present EFL by some £40m, largely as a result of the effects of the ASLEF dispute. The Government should say that it was prepared to increase the 1981/82 EFL by an amount of this order, on the assumption that an equal amount would be deducted from the already announced 1982/83 EFL. Against this background an increase in the temporary borrowing limit could be agreed. It could be done by a written answer later this week. This course of action was no more or no less tough than that which applied to Departments' cash limits; and it should strengthen Sir Peter Parker's hand in the forthcoming pay negotiations. It should at the same time be made clear that, if the reduced 1982/83 EFL was inadequate for BR's purposes, it would be necessary for them to accelerate their asset disposal programme.

The discussion then turned to your Secretary of State's minute of 1 March about the review of British Rail's finances.

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It was agreed that your Secretary of State would approach in the first instance Sir Maurice Hodgson to run the forthcoming review of British Rail's finances. As an alternative Sir David Orr of Unilever might be approached. It was also agreed that Mr. Alfred Goldstein, and perhaps also Mr. Christopher Foster, might be invited to serve on the review board.

I am sending copies of this letter to the Private Secretaries to the Chancellor of the Exchequer, the Chief Secretary, the Secretaries of State for Employment, Industry and Trade and to Sir Robert Armstrong.

M. C. SCHOLAR

Anthony Mayer, Esq.,  
Department of Transport.

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