



Prime Minister (2)
ms 10/12 Transport

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon Leon Brittan QC, MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
SW1P 3AG

10 December 1982

Dear Leon

I understand that you have agreed that the cash limit for our payments of grant to British Rail for 1983 shall be £860m, and that you would like an opportunity to comment on the terms of the announcement of this decision.

I attach a draft statement to be given in a written answer within a couple of days. Perhaps you would let me know if you are content.

I am copying this letter and the draft statement to the Prime Minister, the Leader of the House and the Chief Whip for information.

Yours
David

DAVID HOWELL

DRAFT PQ ANNOUNCING 1983 PSO GRANT LIMIT

Q. To ask the Secretary of State for Transport, if he has decided what limit he will be placing on Central Government PSO grant payments to the British Rail Board in 1983, and if he will make a statement.

A. I have informed the British Railways Board that the PSO grant ceiling for 1983 will be set at £860m. After taking into account expected movements in prices, this is broadly equivalent to the grant ceiling of £804 million which I originally set for 1982. On 8 November I announced that the 1982 ceiling would be increased to £837m to provide for additional redundancy costs. The ceiling I have set for 1983 will therefore require improvement in the Board's financial performance.

The amount of grant payable will depend on detailed consideration of the claim. I intend, however, to continue the arrangement I introduced in 1982 of ring fencing the budgeted expenditure on renewal and replacement of infrastructure, to discourage cut-backs in this work if the Board run into difficulties on other parts of their budget. I similarly intend to ring fence the budgeted provision for redundancy payments in 1983.

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Ms 17/12

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon David Howell MP
Secretary of State
Department of Transport
2 Marsham Street
London SW1P 3EB

15 December 1982

D. Davis
BRITISH RAIL: 1983 GRANT CEILING

You wrote to me on 10 December seeking comments on the terms of the announcement of British Rail's Grant Ceiling for 1983.

I am generally content with the proposed draft statement. I should like to suggest a new first sentence making it clearer that grant to British Rail forms part of the already agreed EFL for 1983-84, as follows.

"Grant to British Rail forms part of their EFL which was announced on 8 November. Within that I have informed..."

As your statement makes clear, the amount of grant actually payable will depend on a detailed consideration of the Board's claim. I hope this will allow us to improve the final position further.

I am copying this letter to the Prime Minister, the Leader of the House and the Chief Whip.

Leon
LEON BRITTAN

DEC 1982

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