



C. 110  
cc Person Office

Prime Minister

Prime Minister

It certainly makes sense to prevent BR representing  $6\frac{1}{2}\%$  as "in line with inflation". Treasury are projecting  $5\frac{1}{2}\%$ . Agree subject to Treasury being satisfied that, as claimed, this does not add to BR; EPL?

BR FARES

*Yes*  
*ms*

AT 4/10

The new Chairman of the Railways Board has discussed with me the Board's proposals for passenger fares next year.

The preliminary proposal is that in January 1984 all fares should be raised by  $6\frac{1}{2}\%$  to keep them in line with BR's estimate of the change in the RPI since last January (when fares were last increased). In addition, it is proposed to increase fares in London and the South East by a further 1%; and to make a number of small selective real increases in Inter-City fares - mainly by reducing the discount on ordinary return tickets - amounting in total to 0.4%.

BR's economists estimate that the increase in the RPI between last January and next will be 6.5%. Clearly, this is too high. BR has to form its own commercial judgement about the rate of inflation - just as firms in the private sector must - but I have made it plain to Bob Reid that 6.5% is unrealistic and unacceptable, and that my first thoughts are that he should aim closer to  $5\frac{1}{2}\%$ , particularly if he wishes to add 1% for London and South East commuters.

As regards the latter, BR can point to the gain to passengers from the improvements over the last year at stations such as Waterloo, Charing Cross and elsewhere, new rolling stock on the Guildford and "Bed-Pan" lines, and improved cleanliness.



In considering this level of increases of fares, and not a lower level I have in mind the overriding importance of reducing public expenditure. BR's latest Rail Plan forecasts a major reduction in subsidies over the next five years. Most of this is to come from manpower reductions, changed working practices and the overdue efficiency measures which Serpell identified. I have told Bob Reid I want him to go further and faster than this and to achieve the very tough grant target for 1986 on which we agreed at E(NI). The overwhelming bulk of the reduction in subsidy must come from reduced costs; and the Board accept this. I want to ensure that the benefit of these economies goes mainly to reduce the burden on the taxpayer.

Accordingly, I propose to tell Bob Reid that we shall not object to his proposals provided the Board's estimate of the change in the RPI is reduced to a more realistic level and the fare increases are along the lines I have indicated. The Board plan to take their decision on these proposals at their next meeting on 6 October so it would be best if I could tell him this before then. Naturally I am sorry that I have not been able to give you and colleagues longer warning of this.

I am sending copies of this to Nigel Lawson, John Biffen, Cecil Parkinson and Peter Walker, and to Sir Robert Armstrong.

TOM KING  
3 October 1983



file NB  
CT

10 DOWNING STREET

*From the Private Secretary*

5 October 1983

BR FARES

The Prime Minister has seen your Secretary of State's minute of 3 October. She agrees that it makes sense to prevent BR representing a 6.5 per cent increase as "in line with inflation" at a time when we are expecting inflation to be closer to 5.5 per cent. She agrees, therefore, that the basic increase in fares should be closer to 5.5 per cent with some addition for London and South East commuters, provided this can be financed within BR's agreed EFL.

I am sending copies of this letter to John Kerr (H.M. Treasury), David Heyhoe (Office of the Lord Privy Seal), Jonathan Spencer (Department of Trade and Industry), Michael Reidy (Department of Energy) and Richard Hatfield (Cabinet Office).

Andrew Turnbull

Miss Dinah Nichols,  
Department of Transport.

LEC NO



Prime Minister ②

You agreed to 5 1/2% provided it did not add to EFL. This condition appears to be satisfied. AT 10/10

Treasury Chambers, Parliament Street, SW1P 3AG

Derek Nicholls  
PS/Secretary of State for Transport  
Department of Transport  
2 Marsham Street  
LONDON  
SW1P 3EB

7 October 1983

Dear Derek

BRITISH RAIL FARES

Secretary of State's

The Chief Secretary agrees with the Prime Minister that it would be sensible to limit the proposed increases in BR fares on the lines indicated in your minute of 3 October. I understand that our officials have been in touch with yours to confirm that this can be financed within the EFLs that were agreed at our Ministers' recent bilateral.

The Chief Secretary hopes however that BR will not attempt in any public announcement to justify the increases as necessary to keep fares in line with inflation. That would give a misleading impression about the underlying strategy in the BR corporate plan to reduce costs through increased efficiency.

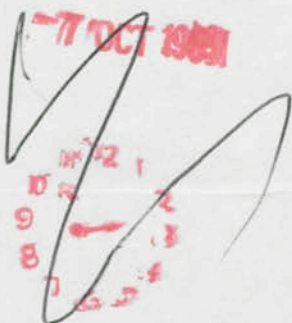
Copies of this go to the private secretaries of the PM, the Lord Privy Seal, the Secretary of State for Trade and Industry, the Secretary of State for Energy and Sir Robert Armstrong.

Yours sincerely

J. Gieve

JOHN GIEVE

Tran BR P+7



9 OCT 1983

