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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Ami Amis h

T. P. Lankester Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1

*You asked about the
BR investment programme:*

18 November 1980

tighter than we thought.

mf

Dear Tim,

*T.L.
18/11*

Thank you for your letter of 13 November about the Prime Minister's question on why British Rail are continuing with their electrification programme at this time of public expenditure difficulty.

The only electrification work in progress at the moment is a scheme approved by the last Government in 1976 to electrify the services from St. Pancras to Bedford. Commitments already made run until 1982. The scheme is now at an advanced stage and cancellation, besides affecting employment in GEC and BICC would carry very substantial financial penalties. In other words it is highly unlikely that there would be any significant financial saving if ~~investment~~ ^{investment} took place at this stage. The Department is currently examining the Board's proposals to extend electrification in East Anglia to Cambridge and to Norwich. No decision has been taken and there would be no expenditure on this scheme next year.

*cancellation
I hope no
decision
will be
taken on this point*

As for the review of the case for a programme of main line electrification, this was started by the last government and will report shortly. Mr Fowler expects to deal with this in the report that he is due to make to E Committee early in the New Year about the longer term prospects for the railways. But again there is no prospect of expenditure next year and no commitment. In summary, apart from long-standing commitments for the St. Pancras-Bedford line, electrification costs will not contribute to the Board's EFL next year.

Finally, I enclose a note on the wider question of the relationship between investment by BR and their EFL.

I am sending a copy of this letter to Peter Jenkins (HM Treasury).

*Yours Sincerely,
RAJ Mayer*

R A J MAYER
Private Secretary

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BRITISH RAIL INVESTMENT AND EFL 1981-82

1. The prospective external financing limit for 1981/82 resulting from the consideration by E Committee is £920m. Of this, some £735m is in support of the passenger railway under the EEC regulations, and £53m is a special facility reserved for financing the short run transition costs of closing down the heavily loss-making collected and delivered parcels service next year. The balance of borrowing is therefore some £132m covering current losses in the non-passenger businesses and for investment in them.

2. Within these financing arrangements, the separate ceiling on the total of investment in the railway and the subsidiaries is for £425m. This is the ceiling set by the last Government, and Mr Fowler sees considerable political advantage in not making public cuts in it. The Railways Board argue with considerable force that they need to be investing at a higher level in order to continue to provide the same range of railway services. However, the investment spend has been cut back this year by some £15m as the Board struggle to keep within their EFL, and we can count on at least a similar underspend next year to arrive at the figure of £920m for the EFL. The Board have for example already decided to defer the next major planned expenditure on the Advanced Passenger Train. The balance of the programme for next year is almost all committed on such things as a number of major re-signalling projects already under way, on the established programme to build 220 vehicles a year to renew the stock for the London commuter services, on completing the programme for High Speed Trains and continuing a build to replace the worn out stock of sleeping cars, both of which latter programmes have already been cut back.

3. On the other hand, it is the case that the Board have not been renewing the rural services, are not at present replacing the large fleet of diesel multiple units, and are building a very small number of freight locomotives each year, and this will continue to be the position next year. It seems very likely that next year the Board will also have to cut back on their new programmes for refurbishing some of their rolling stock, which is intended to extend the life of the stock and defer the need for replacement.

11/18/80

TO: DIRECTOR, FBI
FROM: SAC, NEW YORK
SUBJECT: [Illegible]

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file
cc: JMT
Nat Inst
EK

24 November 1980

The Prime Minister has read your letter of 18 November on British Rail's electrification programme. She has noted that your Department is currently examining the B.R. Board's proposals to extend electrification in East Anglia to Cambridge and to Norwich; she very much hopes that no decision will be taken on this to allow the scheme to go ahead.

I am sending a copy of this letter to Peter Jenkins (HM Treasury).

T P LANKESTER

R.A.J. Mayer, Esq.,
Department of Transport

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JH



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cert MT
20/11/80

10 DOWNING STREET

From the Private Secretary

13 November 1980

In a discussion the Prime Minister had with the Chancellor yesterday, she raised the question of why British Rail are continuing with their electrification programme at this time of public expenditure difficulty. I should be grateful for a note on this and on BR's investment programme generally, set alongside their prospective external financing limit.

I am sending a copy of this letter to Peter Jenkins (HM Treasury).

J. P. LANKESTER

Anthony Mayer, Esq.,
Department of Transport.

Handwritten: JS