

BF-1/6/81



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BR distribution

comes back to

E.

Transport

R.
MS

Treasury Chambers, Parliament Street, SW1P 3AG

T Lankester Esq
10 Downing Street
London SW1

12 May 1981

Dear Tim,

BRITISH RAIL: BACKGROUND BRIEFING

I understand that the Prime Minister expressed an interest in seeing the factual briefing on BR which was prepared for the Chief Secretary's use at a constituency meeting on 9 May. I attach copies of the briefing.

You will appreciate that, while the Department of Transport were consulted in its preparation, this was an internal piece of briefing prepared for the Chief Secretary's use on a particular, constituency, occasion. Should the Prime Minister want to make a public statement about BR, the Department of Transport would of course need to provide the material. We would be grateful if enquiries to that Department were made without reference to our briefing, which we would prefer was not passed on to them, but as freestanding enquiries.

Yours ever

Terry Mathews

T F MATHEWS

Private Secretary

CHIEF SECRETARY

cc Mr Burgner
Mrs Case
Mrs Patker-Brown

BRITISH RAIL : BRIEFING FOR CONSTITUENCY MEETING ON 9 MAY 1981

I promised to let you have one or two further pieces of information following our talk this morning.

Line Closures:

2. Since 1975, the first year of the existing PSO grant system, BR have closed 294 miles of track. Much of this track however was used only for freight operations where purely commercial considerations apply. Other closures were in areas where BR operates under the auspices of a local authority (Passenger Transport Executives) where closures would be related to local authority decisions on grant levels. Closures affecting the national passenger network covered by the PSO have therefore been very small, and overall the system is in fact larger by 13 passenger route miles than in 1975.

Costs and Productivity:

3. The Board publish each year in their Accounts a set of performance indicators which give some indication of trends in costs and productivity. I attach a copy of this year's set. The position on costs is complicated by problems of definition and allocation. Line 5 suggests that rail costs in the passenger business have increased from £2.10 per passenger mile to £2.23 now (with a peak of £2.30 in 1979). But it is more revealing to look at the real increases in the Board's revenue (lines 2 and 4 reproduced below) which have been needed to meet the overall real increases in costs which are suggested by many of the other indicators (lines 15, 16, 18 and 19 for example):

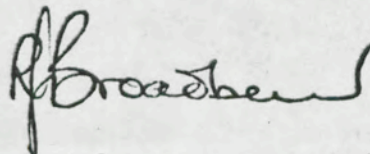
	1976	1977	1978	1979	1980
Average fare per passenger mile (1976 prices)	2.84	3.24	3.66	4.00	4.82
PSO grant per passenger mile (excluding replacement allowance from 1978 onwards)	1.83	1.77	1.59	1.69	1.74

4. Similar problems of definition arise with any one set of figures for labour productivity. Line 20, on one particular definition, suggests some improvement in recent years:

	1976	1977	1978	1979	1980
Passenger miles/net tonne miles per member of staff employed	137.2	140.9	144.7	147.8	142.9

But the conclusions reached by the recent study of BR commuter services conducted by the Monopolies and Mergers Commission provide a picture of the overall situation which can be quoted authoritatively

"Since 1970 the rate of change [in productivity] has been very much slower with a manpower reduction of 14% against a fall in traffic units of 9%, giving a net productivity gain of only 5%. There has been virtually no change in manpower over the last 3 years but a marginal increase in traffic. Improvements in manpower productivity..... in the last 2 years [ie. up to 1980] has practically ceased."



R J BROADBENT
8 May 1981

Other information:
Statistics

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**Railways
Performance
indicators
years 1976-1980**

		1976	1977	1978	1979	1980
1. Passenger miles per loaded passenger train mile		93	94	97	102	97
2. Average fare per passenger mile	pence	2.84	3.24	3.66	4.00	4.82
3. PSO "contract" payments per passenger mile (at 1976 price levels)	pence	1.83	1.77	1.59	1.69	1.74
4. PSO "contract" payments as a percentage of Gross Domestic Product at Factor cost	%	0.29	0.29	0.26	0.29	0.30
5. Passenger business direct costs per loaded passenger train mile (at 1976 price levels)	£	2.10	2.07	2.15	2.30	2.23
6. Average wagon load (all traffics including Freightliner and NCL)	tonnes	22.47	22.99	24.52	25.20	25.83
7. Freight revenue per wagon (at 1976 price levels)	£	1,495	1,613	1,719	1,844	1,818
8. Net tonne miles per loaded freight train mile		307	324	331	343	338
9. Loaded train miles per train crew member		6,471	6,602	6,647	6,536	6,700
10. Loaded train miles per route mile	000's	21.8	21.8	22.1	22.0	22.4
11. Train running and terminal costs per loaded train mile (at 1976 price levels)	£	3.02	3.00	3.01	3.12	3.00
12. Passenger trains arriving on time, or less than 5 minutes late, as a percentage of total passenger trains	%	93	93	91	87	89
13. Passenger trains cancelled as a percentage of current timetable services	%	0.8	1.1	1.5	3.1	1.4
14. Train catering services cancelled/reduced as a percentage of advertised catering services	%					4.7
15. Track maintenance costs per track mile (at 1976 price levels)	£	4,181	4,036	4,188	4,645	4,552
16. Signalling renewal and maintenance costs per track mile (at 1976 price levels)	£	2,246	2,395	2,855	3,140	3,176

Notes

Items 3 and 4 include payments by Passenger Transport Executives. The 1978, 1979 and 1980 payments exclude Special Replacement Allowance of £50m, £57m and £69m respectively. Public Service Obligation payments have been amended for subsequent adjustments.

Item 7 wagons include privately owned vehicles.

Item 9 includes departmental (internal user) train miles. The indicator does not represent the average mileage worked by train drivers, as each train has a minimum of two train crew and frequently more (for example, traction trainees, trainee guards and sleeping car attendants).

Item 14 data not available prior to 1980.

Item 16 includes expenditure of a capital nature chargeable to revenue e.g. renewals which are subject to year by year level of Government cash limit.

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Performance indicators years 1976-1980 continued

Notes

Item 18 total Rail operating expenditure for 1978, 1979 and 1980 includes Special Replacement Allowance.

Item 20 staff numbers for 1976 and 1977 are adjusted to include Corporate and Common Services etc. and include staff wholly or partly employed on capital work or for outside parties.

Item 21 paybill costs are Gross Paybill Costs (including amounts charged to capital and third parties).

		1976	1977	1978	1979	1980
17. Signalling operating costs per track mile (at 1976 price levels)	£	2,424	2,325	2,383	2,330	2,200
18. Total rolling stock maintenance costs (Rail and Rail workshops) per £ of total Rail operating expenditure	pence	18.0	18.2	17.9	18.8	18.5
19. Total administration costs per loaded train mile (at 1976 price levels)	pence	77.4	74.8	75.5	81.3	83.3
20. Passenger miles/net tonne miles per member of staff employed (Rail and Rail workshops)	000's	137.2	140.9	144.7	147.8	142.9
21. Revenue per £1,000 of paybill costs (Rail and Rail workshops)	£	1,163	1,294	1,346	1,297	1,237

CHIEF SECRETARY

Mrs Case
Mrs Parker-Brown
cc Mr Broadbent ←

BRITISH RAIL : BRIEFING FOR MEETING IN CONSTITUENCY ON 9 MAY 1981

You asked for some background briefing on the Government's financial support for British Rail for your meeting on 9 May 1981 to discuss with BR's regional management the threatened closure of the Eske Valley branch line between Whitby and Middlesbrough.

CENTRAL GOVERNMENT GRANT

2. The Government pays the British Railways Board (BRB) a Public Service Obligation (PSO) Grant to compensate them for the losses incurred in maintaining, at the direction of the Secretary of State for Transport, the railway passenger system at a level broadly comparable with that provided in 1974.
3. The grant payable each year is calculated on the basis of the estimated cost of operating the system: from this total is deducted estimates of revenue, payments by Passenger Transport Executives (PTEs) and local authorities towards the costs of services to meet local needs and contribution from the freight and parcels sectors; the remainder represents the net requirement for compensation. The grant claim for 1981 (calendar year) has been settled at £664.3m, which includes £80.3m as a separate special replacement allowance (introduced in 1978) towards the renewal of the assets of the passenger railway business. The following figures show that total Central Government support for BR's passenger business has increased in real terms since 1975-76, and particularly since 1978 with the introduction of the replacement allowance.

	Estimated Outturn Prices	1980 Survey Prices £m
1975-76	302	513
1976-77	316	469
1977-78	378	476
1978-79	467	483
1979-80	586	523
1980-81	696	532
1981-82	725	553

4. The grant is paid as a global sum, rather than as separate amounts relating to specific services, regions or sections of the system because of the difficulty in allocating the joint costs, particularly the track and infrastructure between separate parts of the system.

INVESTMENT

5. The Board's investment programme has remained broadly constant in recent years, although the last two years have seen reductions as rising costs placed increasing pressure on the Board's EFL:

	£m 1980 Survey Prices	
1975-76	398	
1976-77	362	
1977-78	355	
1978-79	409	
1979-80	381	
1980-81	289) These figures exclude
1981-82	291) continuous welded rail

EXTERNAL FINANCING

6. Before 1980-81, the Board met the external financing limits set for them. In 1980-81, the original EFL of £750 million had to be increased to £790 million in the light of deteriorating business results which the Board could not entirely offset by their own efforts.

	Limit (Estimated outturn prices)	Outturn £m
1976-77	640	501
1977-78	685	585
1978-79	646	620
1979-80	715	714
1980-81	750 (increased to £790m in September 1980)	790

1981-82 AND LATER YEARS

7. The Board's EFL for 1981-82 is £920m (at outturn prices), an increase in real terms on their EFL for 1980-81. It is made up of £780m grant and £140m borrowing of which £53m is available only to meet the costs of closing their loss-making parcels business. Investment in fixed assets is projected to be £382m. The figures underlying the White Paper for the later years show a sharply reducing level of external finance and grant for the Board although the White Paper also stresses the uncertainties surrounding these. As you know Mr Fowler sought an increase in these figures, but in discussion at E it was there agreed that a decision should not be taken in isolation from the main expenditure round. We are however considering with Department of Transport officials what guidance could be given to BRB in the preparation of their 1982 budget. There has been no public statement about the future position beyond the uncertainties mentioned in the White Paper.

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CURRENT COSTS

8. The Board have made poor progress in the last few years in achieving productivity gains - most of the cut of 34,000 jobs over the last decade was made before 1974 - and have little idea how the improvements now planned can be achieved. Unit costs have risen since 1977 and means of reversing that trend have yet to be identified.

BRANCH LINE CLOSURES

9. BRB must adhere to a statutory closure procedure if they wish to close a passenger line. This involves publication of their proposals, then if there are any objections they are made to the appropriate Transport Users Consultative Committee (TUCC), who normally hold a public hearing before reporting to the Secretary of State on the hardship likely to be caused by the proposed closure and on ways of alleviating this hardship. The final decision in cases where there are objections is for the Secretary of State to take on the basis of the TUCC report and of wider social and economic considerations.

ESKE VALLEY BRANCH LINE

10. The Board have not yet made any proposals for the closure of this line. I attach a note* on this line prepared by the Department of Transport.

TM
for MRS H PARKER-BROWN
PE 2

7 May 1981

*Map only, plus information that the Darlington/Middlesborough-Whitby passenger services meet only one-third of their direct costs.