



CC NO  
FM

DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

Andrew Turnbull Esq  
Prime Minister's Office  
10 Downing Street  
LONDON  
SW1

12 October 1983

Dear Andrew

#### TONBRIDGE-HASTINGS RAILWAY LINE

I am replying to Michael Scholar's letter of 27 September. The further information for which he asked is enclosed (enclosures A and B).

The Secretary of State is very concerned at the impression that his recommendation on this case does not follow on the action decided at the Prime Minister's meeting on 27 April and the subsequent discussion with MPs. He has asked me to set out briefly, therefore, his understanding of the course of events following that meeting.

It is clear from Michael Scholar's letter of 28 April (copy attached at C for ease of reference) that the prospect of the closure of the line to passengers for several months while the electrification works were done weighed heavily in the discussion of the options with the Prime Minister. The Secretary of State understands, however, that shortly after the meeting on 27 April but before Mr Howell saw the local MPs, the Railways Board gave a revised estimate of the length of time that the service would need to be closed. The Board's new estimate is that the service would need to be closed only on 10 weekends; on weekdays, which are of course crucial for commuters, a restricted service would continue to operate. Altogether, the engineering works would go on for about 6 months. This is, of course, a very different estimate from the one on which the Prime Minister formed her initial judgement of the options.



In accordance with the conclusion recorded in your letter of 28 April, Mr Howell, Mr Eyre and Mr Gow met the local MPs on 3 May. No official was present. The aim of the meeting was to test the strength of their declared preference for electrification. The Secretary of State understands that the local Members' main concern was that the service should continue, that there should be a through service from London, that it should be improved, and that there should be a statement before the local elections. On that basis, Mr Howell said in answer to a PQ on 4 May that:

"As I have made clear, the Government is prepared to approve a substantial new investment in the Tonbridge-Hastings line, leading to a continued and improved through service on the London-Tonbridge-Hastings route.

The type of equipment to be used has yet to be settled; when it is I shall make an announcement."

During the subsequent General Election campaign, Mr Warren spoke strongly in his constituency about the need for electrification. Clearly, it remained a live local issue. For example, Sir Patrick Mayhew wrote to Mr Howell on 24 May to tell him that:

"It is significant that notwithstanding the additional delay to services which electrification would evidently impose while work was being done, the [Tonbridge Wells and District Railways Travellers'] Association so strongly favour electrification to new diesel units."

Immediately after the Election, the Secretary of State asked Mr Mitchell to establish the facts and recommend to him how the case should be brought to a conclusion. As a result of his work, a further diesel option has been identified, the details of which are set out in the attached note. Briefly, it emerges as the best of the diesel options and it uses standard diesel units, so avoiding the need for a special build just for this line. But it would require the same civil engineering works as would electrification. Throughout the last 4 months, Mr Mitchell has been under great pressure from most of the local Members for an early decision firmly in favour of electrification. This was made very clear to him in a meeting he had with the local MPs on 5 July when they said that they would regard the disruption of the service in the short term as a price worth paying to obtain electrification with minimum singling of the line.

In making his recommendation to the Prime Minister on 20 September the Secretary of State had in mind the following main points:

(a) the disruption to passengers while the line was electrified would be much less than the Prime Minister was led to expect back in April and was regarded as acceptable by the Government's supporters and local users;

(b) the best of the diesel options would entail broadly the same amount of disruption;



(c) the best diesel option involves the use of diesels which do not yet exist even in prototype form and which may, therefore, prove more expensive and less satisfactory than the Department and the Board have assumed in their evaluation of the option;

(d) diesel units have lower acceleration than electric ones and this is particularly significant on a commuter line operating over hilly country;

(e) there is a very strong local feeling that anything other than electrification would be unsatisfactory;

(f) there is little in financial terms to choose between the options.

The Secretary of State also wonders whether this case may have been considered as in some way involved in the questions of Inter-City main-line electrification, and perhaps as "the thin end of the wedge" for such proposals. He in fact considers it not in that context at all, but he sees the present absence of electric trains on this part of the line as a gap in the existing electric third rail network of Southern Region, due originally to the narrowness of the tunnels.

For these reasons, the Secretary of State believes that the assessment of the case for electrification, with minimum singling, is different from and stronger than it was when the matter was put to the Prime Minister last April. And it remains his belief that the best course would be to approve the proposal.

I am sending a copy of this letter to John Gieve (Chief Secretary's Office).

*Yours sincerely*

*Alan Tugendt*

*for*

MISS D A NICHOLS  
Private Secretary



11.1 OCT 1985



COBOL



## A - CRITERIA FOR ELECTRIFICATION

1. The criteria applied to electrification schemes for the non-commercial railway business (i.e. passenger services in L&SE, the other conurbations and rural areas) are different from those applied to schemes for the commercial railway businesses (Inter-City and Freight).

### The Non-Commercial Railway

2. For the non-commercial railway, which includes Tonbridge-Hastings, the criterion applied to an electrification proposal is the same as the test applied to any other proposed investment; does it represent the most cost-effective way of maintaining the service?

### The Commercial Railway

3. The criteria for the electrification of routes used mainly by the commercial rail businesses were set out by the then Secretary of State (Mr Norman Fowler) in his statement to the House of Commons on 22 June 1981 (copy attached). He invited BR to come forward with a 10 year programme of schemes for electrification only of those potentially profitable main line routes where it was clear that the benefits could justify the investment. He meant by that statement that the Government were only prepared to consider schemes for the electrification of lines on which the Inter-City and freight services were capable of operating commercially, that is, earning a 5% return on the assets employed. These electrification schemes would have to show a good prospect of earning a 7% return on the sums invested. That test discount rate was set 2% above the rate of return set for the commercial businesses as a whole in order to allow for risk and appraisal optimism.



22 June 1981

STATEMENT BY NORMAN FOWLER, SECRETARY OF STATE FOR TRANSPORT  
HOUSE OF COMMONS, 22 JUNE 1981

BRITISH RAIL (ELECTRIFICATION)

The Government has completed its examination of the report on main line electrification. For this, we have reviewed the prospects for the freight and inter-city businesses of the railway which could benefit from electrification, in order to judge the strength of their case for further major investment. I had earlier met rail management and unions in the Rail Council, to hear their arguments for further investment in the railway and particularly in electrification, and to discuss the pressing need for increases in efficiency and productivity in railway operations, and I am seeing them again later today.

This examination has had to take place at a time when the current financial position of the British Railways Board gives serious cause for concern. The trading position of the Board has worsened during the year, and immediate substantial economy measures are now required. The Government for its part will continue to support the efforts of the Board to meet the difficulties it has to face. But the Government will expect the industry's management and unions to play a full part in bringing about the necessary improvements.

As far as the businesses are concerned, our aim is that as much freight as can economically do so should go by rail. But the future of the rail freight business depends crucially on reduction in its costs. If the efforts of the Board to eliminate uneconomic capacity, and to secure new agreements on working practices, do not produce their results quickly, and costs are in consequence not substantially reduced, then the rail freight business will continue to shrink. Only if these cost reductions are achieved will there be enough freight traffic on the railway to contribute significantly to the case for electrification. These are matters entirely in the hands of the industry, but the



Government is bound to take account of progress on them in its other decisions on future investment.

The Government's policy is that subsidy should go only to socially necessary passenger services such as rural and commuter services. The inter-city rail business, which could benefit from electrification, should be fully commercial. So far, in spite of large investment, the inter-city business has not made progress towards earning an adequate return on the assets employed. Immediate steps must therefore be taken to match the capacity offered closer to profitable demand. Given the necessary measures, services comprising the majority of inter-city business should be able to support new investment and win traffic on a commercial basis. I am accordingly asking the Railways Board to bring forward plans for an inter-city business that will achieve a fully commercial performance by 1985, and to start on the necessary changes immediately.

Given the necessary will in all parts of the industry these measures can succeed. There is no alternative if there is to be a healthy future for the large commercial railway businesses, which will benefit their customers and those who work in them, and justify a selective programme of main-line electrification. The Government is not prepared to give an unconditional commitment to the electrification of an extensive network and progress on electrification will depend on the achievement of the changes necessary to secure manpower reductions and improvements in productivity.

I am therefore inviting British Rail to prepare and submit a ten-year programme of schemes for electrification only of those potentially profitable main-line routes where it is clear that the benefits could justify the investment. These should be presented together with the new commercial plans that are now required for the businesses. The approval of each successive electrification project will be conditional on the profitability of the investment in question and on the achievement of necessary improvements in productivity.

Telephone No: 01-212 1431  
Night Calls: (6.30 pm to 8.00 am)  
Weekends and Holidays: 01-212 7071



B

ANNEX B

INVESTMENT

B. TONBRIDGE-HASTINGS ELECTRIFICATION: FURTHER APPRAISAL

1. Before the General Election, the Department conducted its own evaluation of a range of options for renewing the Tonbridge-Hastings service. A summary of this work and the conclusions are contained in the analysis enclosed with Mr Richard Bird's letter to Mr Michael Scholar of 28 March 1981.

2. Since the Election, we have carried out further appraisal of the 2 cheapest diesel options and of BR's electrification option. We have identified a further option for renewing the service with standard-bodied Class 150 Diesel Multiple Units; and we have examined the case for postponing any new investment until 1992 by means of refurbishing the existing rolling stock to last for another 5 or 6 years. The results of this work may be summarised as follows:

OPTION	NET PRESENT COST (£m)	
	Renewal in 1986	Renewal in 1992
I Electrification	66.0	64.0
II <u>Narrow-bodied Diesel Units (Class 150)</u>	65.0	62.5
III <u>Standard-bodied Diesel Units (Class 150)</u>	63.5	60.0
IV Mark V coaches, hauled by diesel locomotives	<del>63.5</del> 63.0 *	62.0

Notes

A. The figures above differ from those in the evaluation sent by Mr Bird on 28 March in two respects:

\* Amendment sent by Dept. of Transport (Mike Williams)



i. The net present cost of electrification in 1986 is £66m rather than £67m because we have included a sum for the value of the fixed works at the end of the project life. (A difference of £600,000 becomes £1m as a result of rounding.)

ii. The net present cost of narrow Class 150s in 1992 is slightly lower (by £500,000) to reflect a scaling down in our estimate of the likely cost of such a vehicle.

B. Tables containing a breakdown of the net present cost of each of the 4 options are attached. The figures have been agreed by BR, with the exception of the option for building Mark V coaches in 1992 which was evaluated later than the others.

3. While this evaluation indicates that, on central forecasts, the net present cost of the scheme could be reduced by postponing the major investment until 1992, and that the least-cost option in that year would be standard bodied DMUs, these conclusions are subject to serious reservations.

4. First, the major investment could be postponed only if the existing stock was refurbished, and had the asbestos removed from it, by the end of 1987. The cost of this work is estimated at £55,000 a carriage. But there must be a risk that, when the carriages are opened up, this figure will prove to be an underestimate; and an increase in refurbishment costs could eliminate the saving from postponing the major investment.



5. Second, and accordingly, the better course is to go ahead with the major investment now. On that basis, the analysis suggests that the least-cost option is the Mark V coaches (Option IV). But the costings for these coaches assume that the Mark I underframes are a free good, whereas it is likely that they would have an alternative use. The costings also assume a standard of comfort no better than that of a bus: standards comparable to those of the present vehicles, or of other long-distance commuter services, would cost more. These factors reduce or eliminate the financial advantage of this option.

6. The two best options, therefore, are electrification (Option I) and standard-bodied diesel units (Option III). The capital and maintenance costs of Southern Region EMUs are reasonably well-established. But the diesel vehicles are not yet built - the prototypes will not be available until next year and the figures in the analysis are, therefore, only a best estimate. The actual costs may turn out to be higher, and for that reason the electrification option is preferred.



## ELECTRIFICATION

	Net Present Cost (£m)	
	1986	1992
1. Fixed works, £25m over 3 years (BR figure)	20.5	14.6
2. 86 electric multiple units at £268,000 each (BR figure)	18.6	13.2
3. Residual value of 86 EMUs in 2011, assuming 40 year life	-1.1	-1.6
4. Scrap value of existing DEMUs (BR figure)	-1.2	-0.5
5. Maintenance of existing DEMUs, 122 vehicles at about £19,000 each per annum (BR figure)	8.4	20.7
6. Fuel for existing DEMUs at about £900,000 per annum (BR figure)	3.5	6.8
7. Maintenance of 86 EMUs at £10,300 each per annum (BR figure)	8.3	5.0
8. Power for EMUs (BR figure)	8.5	5.4
9. Impact of rising fuel prices	1.9	1.9
10. Maintenance of fixed works	1.4	1.0
11. Residual value of fixed works	-0.6	-0.8
	<u>68.2</u>	<u>65.7</u>
12. Revenue gain	-2.0	-1.5
	<u>66.2</u>	<u>64.2</u>



NARROW-BODIED CLASS 150 DMU

	Net Present Cost (£m)	
	1986	1992
1. Fixed works £4.8m, mostly in the period 1987-1989 (BR figure)	3.3	3.3
2. Maintenance of 122 existing DEMUs at about £19,000 each per annum (BR figure)	8.4	20.7
3. Fuel for DEMUs at about £900,000 a year (BR figure)	3.5	6.8
4. Scrap value of DEMUs	-1.2	-0.5
5. Capital cost of 96 new narrow bodied DMUs at £310,000 per vehicle	23.8	16.2
6. Residual value of DMUs assuming a 30 year life	-0.6	-1.4
7. Maintenance costs at £17,500 per vehicle per annum	15.7	9.7
8. Fuel costs for 96 vehicles at £0.914m per annum	9.5	5.3
9. Impact of rising fuel prices	2.1	2.1
10. Maintenance of fixed works (BR figure)	0.3	0.3
	<u>64.8</u>	<u>62.5</u>



MARK V COACH

	Net Present Cost (£m)	
	1986	1992
1. Fixed works £4.8m	3.8	3.3
2. Maintenance costs of DEMUs at £19,000 each per annum (BR figure)	8.4	20.7
3. Fuel for DEMUs at about £900,000 per annum (BR figure)	3.5	6.8
4. Scrap value of existing units	-1.2	-0.5
5. 88 Mark V coaches at £100,000 each	7.2	4.8
6. Maintenance of Mark V coaches at just under £9000 per vehicle per annum	6.2	4.1
7. 11 diesel locomotives at £800,000 each	7.1	4.8
8. Residual value of diesel locomotives, assuming a 30 year life	-0.6	-0.8
9. Maintenance of 11 locomotives at £100,000 each per annum	8.6	5.7
10. Fuel costs at about £1.2m per annum	10.4	6.2
11. 96 narrow-bodied Class 150s at £310,000 per vehicle.	6.3	5.5
12. Maintenance of 96 Class 150s at £17,500 each per annum	1.7	0.8
13. Fuel for Class 150s at £0.9m per annum	0.9	0.4
14. Residual value of DMUs	-3.3	-3.5
15. Impact of rising fuel prices	3.5	3.5
16. Maintenance of fixed works	0.3	0.3
	<u>62.8</u>	<u>62.1</u>



## STANDARD-CLEARANCE CLASS 150 DMU

	Net Present Cost (£m)	
	1986	1992
1. Fixed works costing £11.7m over 3 years (BR figure) (1984-6; 1989-91)	10.0	6.8
2. Maintenance of 122 existing DEMUs from 1982 at about £19,000 per annum (BR figure)	8.4	20.7
3. Fuel for DEMUs (BR figure)	3.5	6.8
4. Scrap value of DEMUs	-1.2	-0.5
5. Capital cost of 86 Class 150 DMUs/at £270,000 each	18.8	12.8
6. Residual value assuming a 30 year life	-0.4	-1.4
7. Maintenance of 86 DMUs at £17,500 each per annum	14.1	8.7
8. Fuel costs of 86 DMUs at £818,000 per annum	8.5	4.7
9. Impact of rising fuel prices	2.1	2.1
10. Fixed works maintenance	0.3	0.3
11. Residual value of fixed works	-0.6	-0.8
	<u>63.5</u>	<u>60.2</u>



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10 DOWNING STREET

*From the Private Secretary*

28 April, 1983

*Dear Richard,*

Hastings-Tonbridge Rail Service

The Prime Minister held a meeting on Wednesday, 27 April to discuss the renewal of the Hastings-Tonbridge rail service. Your Secretary of State, Mr. Ian Gow, M.P., Mr. Alan Walters and Mr. Osmotherly were present.

Your Secretary of State said that there were three options for renewing this service. It would be possible to renovate and patch up the existing stock, to provide some further years service. Alternatively diesel bus stock could be developed and used as a replacement for the existing stock. The third alternative was to single the track through the tunnels and electrify it using the third rail method.

In discussion, it was noted that the British Rail submission had been shown to be inadequate in a number of important respects. The costing of the diesel bus option must be subject to particular uncertainty, since this would be breaking entirely new ground in British railway operations. The economics of the diesel and the electric options were not markedly different from one another, and it seemed likely that the local pressure groups would be much less enthusiastic about the electrification, once they realised that this would mean withdrawal of all services for a number of months while the new track was laid.

The Prime Minister said that your Secretary of State, together with Mr. Gow, should consult the Government supporters most closely concerned to test the strength of their declared preference for electrification. If, as seemed likely, they saw great difficulty in the prospect of losing their rail service for a number of months altogether, while electrification took place, the Government should conclude in favour of the diesel option.

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I am sending a copy of this letter to John Gieve (Chief Secretary's Office).

Yours sincerely,

Michael Scholar

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Richard Bird, Esq.,  
Department of Transport

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