

PRIME MINISTER

Tonbridge/Hastings Railway Line

You are holding a meeting on Monday afternoon to discuss this. There are three aspects you need to consider:

- (i) The investment appraisal.
- (ii) The political feeling from the constituencies affected.
- (iii) Whether approval of electrification in this case would build up excessive hopes about electrification on the wider scale.

On (i), the differences in costs are not large, particularly when factors not included in the appraisal are taken account of, eg the benefit of using the standard SR electric stock or the greater risk involved in developing new diesel stock. *Policy Unit favour permitting the electric option, but pressing message on investment appraisal.*

On (ii), there seems to be some confusion on the consultation process. Ian Gow consulted the then Minister of Transport and Hastings/Tonbridge MPs on whether the diesel option would be acceptable. The outcome was that it would be but it is not clear what propositions were put forward on the duration of the disruption created by the two options. Since then political feeling has been in favour of the electrification option.

On (iii), the Department of Transport argue that electrification of this line need not have implications for the wider electrification issue. Tonbridge/Hastings is an exception in the SR network; and the Department use a different approach in assessing electrification of parts of the non-commercial railway.

14 October 1983

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cc Mr. Mount

MR. TURNBULL

Prime Minister

TONBRIDGE-HASTINGS RAIL SERVICE

In discussion of this item with Mr. King, the Prime Minister could either:

i. try to persuade him to reject the electrification option in favour of a marginally cheaper, diesel option; or

ii. use the discussion as an opportunity to impress on Mr. King, and through him, the British Rail Board, that investment projects will not be accepted unless they are both properly argued and economically sound.

We would recommend the second option. Having discussed the appraisal in some detail with Mr. King's officials, we feel we should accept their judgement that the case for rejecting BR's preferred choice of electrification is not sufficiently strong. The difference in costs, partially offset by the superior revenues likely to be earned by the faster electrified service, are well within the margins of error associated with appraisals of this kind. Some questions, which might be useful to raise in discussion, which I attach, are not likely to undermine Mr. King's argument.

We would advise, therefore, that the Prime Minister should use the meeting to reinforce the message at (ii) above. The following points might be helpful:

1. The appraisal of this investment which was put to and accepted by the BRB contained a number of howlers, which Transport officials have now corrected. For example, BR

- did not spell out the effects of            singling            a longish stretch of track on the reliability of services
- costed the rolling stock to the electrification option free of charge on the grounds that it was 20 years old, even though this stock could be used elsewhere in the system for many years

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- ignored a cheaper diesel unit currently being designed
  
- disregarded the bus bodies option on the grounds that it was "an untried option"

2. The Government would expect all future submissions to comply with the appraisal methodology applied by the Department of Transport.

3. BR could be asked to jump one last hurdle to secure their favoured electrification option. There is undoubtedly an operational advantage in standardising the Southern Region on electrification (easier to provide cover for breakdowns, possibilities of switching rolling stock etc). This point has not been made much of in the appraisal. Could the BRB demonstrate that it justifies the extra cost (£5million, less an allowance for better revenues, with electrification)?

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NICHOLAS OWEN  
14 October 1983



POINTS TO RAISE ON THE APPRAISAL

1. Why invest now at all?

The alternative is refurbishment. Transport emphasise that the cost of refurbishment could be higher than BR's estimate. But isn't this risk inherent in all the systems?

2. Mark V Coaches

The cheapest option of all is the Mark V coach (£62.8m). But could it be cheaper still? This option takes advantage of the fact that there is currently a surplus of under-frames because Inter City coaches are due for scrapping. These under-frames will wear out in 10-15 years or so. The appraisal covers a 30-year span. Transport assume that these coaches will then be replaced by a new production run of 96 narrow-bodied 150s, at a total cost of around £30 million. This may be an unduly cautious assumption. How do we know that an alternative, cheaper bus body option might not be available in 1995?

3. High maintenance of diesels

The disadvantage of diesels is their high maintenance cost, but is it necessary to pay £100,000 for each locomotive per annum on maintenance? Would a private contractor charge so much?

4. Operational advantages of standardising

Are these costed? Shouldn't they allow BR to use fewer coaches on the line, because the Southern Rail system can provide cover against breakdown and maintenance? But electrification requires 86 vehicles, hardly less than the Mark V coach option (88 coaches).