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COPY NO 57

E (81) 42

3 April 1981

CABINET
MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

METRO CAMELL

Memorandum by the Secretary of State for Transport

1. I invite my colleagues to consider a particular problem about railway rolling stock manufacture.
2. The only private sector manufacturer of railway rolling stock in this country is Metro Cammell. At home they supply London Transport, and they have won important overseas orders in Hong Kong. There are prospects of more work overseas, but for the next six years London Transport's requirements will dry up. Metro Cammell have informed my Department that with this fall in work, they will have to cut back their production capacity to a very low level. They would then be very badly placed to re-enter the market when the demand revives.
3. British Rail's requirements are at present wholly met by their own manufacturing subsidiary, British Rail Engineering Limited. It is important that we should move away from this monopoly situation which has undoubted inefficiencies. But it is not practicable to move straight to competition when there is no private sector supplier experienced in building to BR requirements. Nor can I arbitrarily remove some of the work now being done in BREL in order to transfer it to Metro Cammell.

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4. It is very important to us to maintain the private sector manufacturing ability, and the commercial drive, that Metro Cammell represents. This is the sort of problem to which our public purchasing policies should find a solution. As it happens there is a requirement for a new generation of diesel engines multiple units which will have to be met over the next seven to ten years for which the current BR design is too expensive. If Metro-Cammell come forward with a more cost effective proposal, for a build of, say, 150 cars a year (at cost of some £30m a year), then I would like to be able to make the necessary finance available to BR on condition that the order was placed with Metro Cammell. We could then after a few years move on to a position which BREL and Metro Cammell were competing over a wider range. Bringing forward this order for Metro Cammell would anyway focus attention on the important question of the capacity to be retained in BREL in the longer-term.

5. I could not do this, on the basis of the figures currently contained in our public expenditure plans. Over the full decade I could manage it, within the policies proposed in my paper. But to assist Metro Cammell, some £25m would need to be brought forward into each of 1983/4 and 1984/5 from later years.

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