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E(81)47

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10 April 1981

CABINET

MINISTERIAL COMMITTEE ON ECONOMIC STRATEGY

BRITISH RAILWAYS

Memorandum by the Secretary of State for Transport

1. This note sets out, following our discussions on April 8, the issues on which I seek urgent decisions:-

Size of Network

2. I invite the Committee to accept that we are politically committed to maintaining the railway passenger network at broadly its present size. This is basic to our decisions on investment and finance.

External Financing Limit for 1982-83

3. The figures we inherited from our predecessors are unrealistically low. My colleagues agreed in September that we should take our own decisions for 1982-83 ~~and~~ 1983-84 on the basis of a corporate plan to be prepared by the Board. That plan is over-optimistic on revenue and asks for too much. I have corrected that in E(81)43. The assumed productivity gains - and more - are essential. To secure them I must maintain financial discipline. I can only do so by setting a tough but achievable EFL.

4. Essential work on the railway system entails additional expenditure of £25 million in 1982-83, for renewing track and signalling and on the rural lines.

5. My next move must be to set an appropriate, realistic planning figure for 1982-83 some £100m higher than the figure underlying Cmd 8175 in order to constrain the Board's 1982 budget on which they have to start work next month. I propose that the Committee should authorise me to do this without delay in consultation with the Chief Secretary.

6. I am asked by the Treasury to say that the Public Expenditure White Paper makes it clear that the planning totals for later years are higher than the Government would wish. The commitments now necessary to fit in with the Board's planning timetable would pre-empt consideration of expenditure on the railways as part of the public expenditure review in the Autumn. But I am convinced that a realistic planning figure is essential to keep control of the Board's expenditure.

Electrification

7. Electrification of the mainline core railway is widely regarded as crucial to the railway's future. I must have a public position soon on it if I am to exercise the proper influence over the Board and the unions. But I am content to wait for the progress of the commercial business to be examined quickly by the CPRS in relation to the electrification report. This would also enable us to explore further the prospect of private investment. I should stress that I am proposing a stage by stage approach rather than a massive programme committing us to the end of the century.

Background information

8. The table and graphs attached give material selected in consultation with the CPRS on the Board's performance and the railway's share of the market.

N.F.

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10 April 1981

BRITISH RAIL CARRIINGS AND SHARE OF TRANSPORT ACTIVITY IN GREAT BRITAIN

Passenger

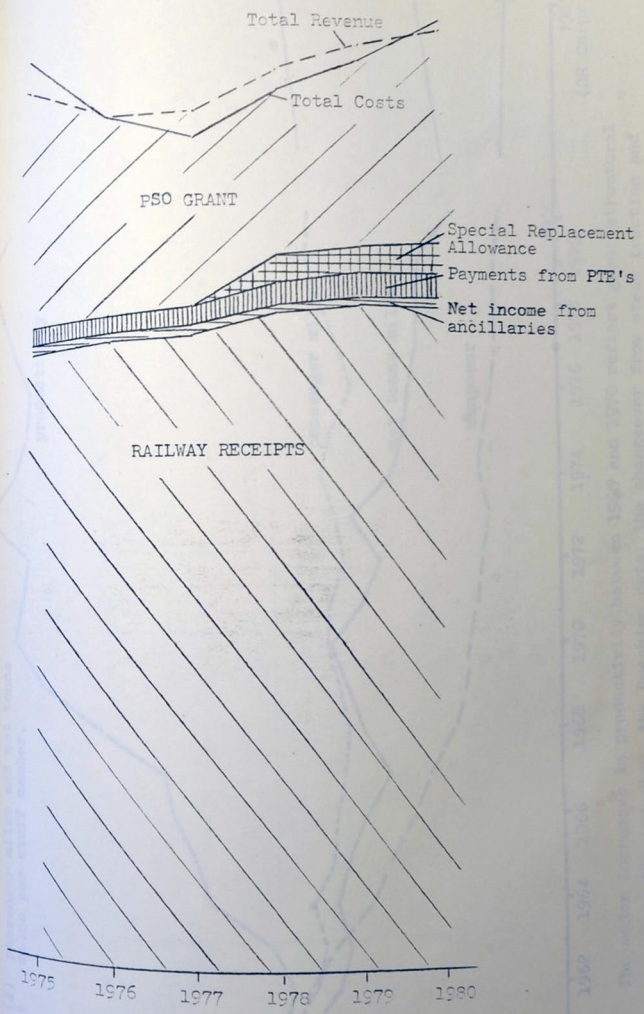
	<u>1970</u>	<u>1975</u>	<u>1979</u>	<u>1980</u>
Volume-billion passenger km	30.4	30.3	32.0	31.7
Share%	8	7	7	N.A.

The Board's Corporate plan forecasts passenger kilometres rising to 33.5 billion in 1985. The Department expects the level then to be about the same as, or slightly above, the 1980 level. In neither case would BR's share change substantially. Note: In 1979 buses and coaches accounted for 11% of total passenger km and cars and motorcycles for 80%.

Freight

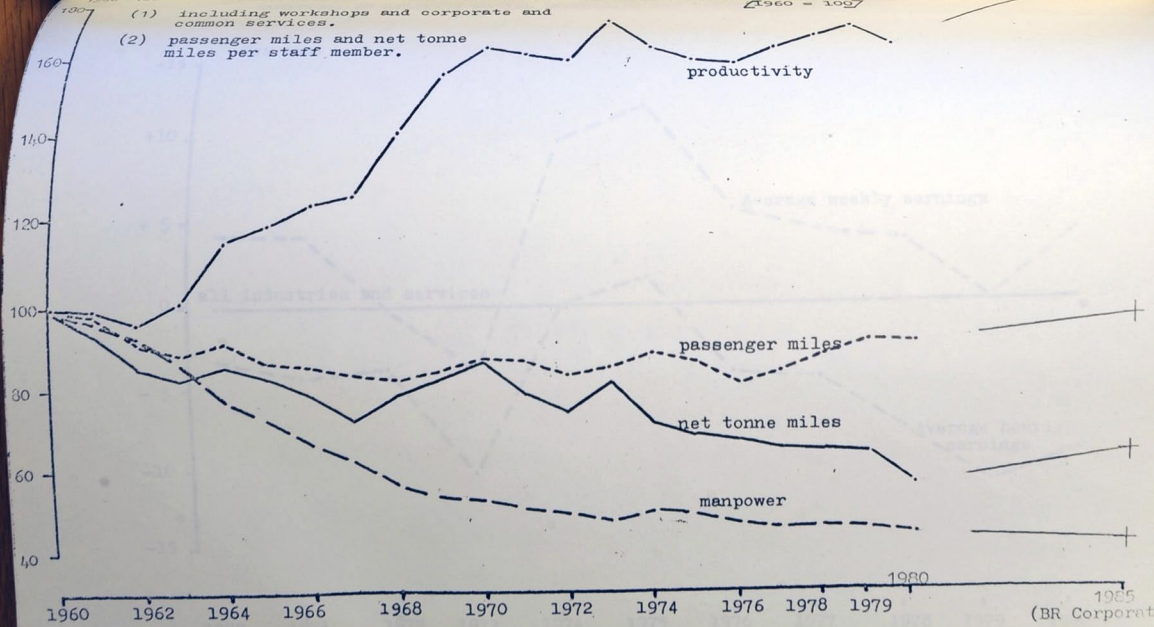
	<u>1970</u>	<u>1975</u>	<u>1979</u>	<u>1980</u>
Volume-billion tonne km	26.8	20.9	19.9	17.6
Share of inland transport %	23	17	15	N.A.

The Corporate Plan forecasts carryings at 19.4 billion tonne kilometres in 1985. The Department's assessment is that they may be as low as the present level. BR's share would remain substantially the same. Note: In 1979 the total freight carried by road was 78%, by inland waterways 0.1% and pipeline 8%. (Coastal shipping is not included in the total because of a lack of suitable figures.)



RAILWAY BUSINESS COSTS, REVENUE AND SUPPORT 1975 - 1979

- (1) including workshops and corporate and common services.
- (2) passenger miles and net tonne miles per staff member.



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NOTE: The major increases in productivity between 1960 and 1970 reflect great structural change in the industry, the Beeching cuts, the changeover from steam traction and substantial decline in coal carryings. (Associated with lower coal production and use).

128

