



Prime Minister

LEGISLATIVE PROGRAMME 1984/85: BRITISH RAIL BUS SUBSTITUTION

E(A) Committee has agreed the major proposals on deregulation and reorganisation in the bus industry, subject to presentational needs. I am now writing to set out my policy proposals on the minor, but complementary, subject of bus substitution for some rail services.

Background

Some provincial railway services show very poor value for money ratios and impose heavy costs on the taxpayer. But they are extremely difficult to close. The opponents consist of two distinct groups - those who are affected as travellers, and those who are railway enthusiasts. I will be making proposals in relation to the latter group. But for the former group the answer is a replacement bus service. Powers to provide such services already exist, and were frequently used during the "Beeching" closures of the late 1960's and early 1970's. But those bus services were often slow, unattractive and inconvenient. This was partly because of a requirement that they had to call at the former railway stations, even where these were some distance from the communities they served. Patronage was low, and the services often ran at a loss. Where they did, there was no power to subsidise them, so they were withdrawn as soon as possible - usually two years - after the railway closure. As a result, replacement bus services got a bad name and became regarded as being unacceptable as a substitute for rail.

Colleagues have already agreed that the time has come for a new initiative. E(NI) decided, at its meeting on 13 September 1983 (E(NI)83 8th meeting) and in subsequent correspondence, that our published statement of objectives

for Bob Reid should call for his views on the practicality of introducing, where appropriate, guaranteed and subsidised substitute bus services. He has replied favouring the idea and asking the Government to promote the necessary legislation.

Proposals For Legislation

Four legislative provisions are necessary to secure appropriate substitute bus services in suitable cases:

i. A power for British Rail to secure the provision of bus services along the broad corridor of withdrawn railway services, but not tied to the former railway stations. I could then impose them as a condition of consent to particular rail closures.

ii. British Rail to be obliged to use contractors for these services. They should also be obliged to seek competitive tenders for them.

iii. The services to be protected by a closure procedure similar to that for railway passenger services, so that, in the event of objections, the final decision on closure would rest with me.

iv. Power for me to pay a grant to British Rail to reimburse them for the costs of securing the bus service, (being less than the cost of the rail service) if no tender undertakes to operate it on a purely commercial basis.

I do not propose to modify the existing railway closure procedure.

Controversy

While the principles of bus substitution may not be controversial, there will be a lot of concern, on all sides of the House, that this is a back-door way to close more

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railways. I shall therefore need to make our position clear.

Our publicly stated policy is that we do not intend the Railways Board to embark on a programme of major route closures. We shall need to reaffirm this when the legislation is introduced. If the legislation on bus substitution is passed in the Summer of 1985, and if the Board puts forward a small number of closure cases where they believe that bus substitution would be appropriate it will be easier for me to give my consent. I will also consider whether to make such conditions to my consent to any closure cases already in the pipeline subject to BR providing bus substitution. The result would be that, by the end of this Parliament, we might have somewhere between half a dozen and a dozen guaranteed substitute bus services in operation. Later we could decide whether to extend this practice ~~to be~~ on a larger scale. But we do not need to take that decision at this stage.

All this is very low key and controlled, and it does not go as far as we go in the new deregulated system, for buses in general. But the emotive nature of railways make it difficult to make faster progress on this front.

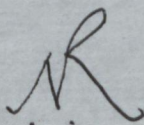
EC Considerations

We shall need to inform the EC Commission of our proposals, as they affect the PSO grant which is paid under Community regulations. I do not expect any difficulty on this score.

Conclusion

My Public Transport Bill in the legislative programme for 1984/85 (CC(84) 8th Meeting, Item 5) already provides for legislation on this topic. I now seek your and colleagues' agreement to the provisions which I propose.

I am copying this minute to all members of E(A) Committee, to Quintin Hailsham, to the Chief Whips in both Houses, and to Sir Robert Armstrong.



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CC NO



FROM: CHIEF SECRETARY

DATE: 30 May 1984

NBPM
AT 4/6

PRIME MINISTER

LEGISLATIVE PROGRAMME 1984-85: BRITISH RAIL BUS SUBSTITUTION

I have seen the Secretary of State for Transport's minute to you of 22 May on bus substitution, and your Private Secretary's subsequent reply.

I am content with the specific proposals on the content of the legislation; and in particular that BR should have a power to pay grant for the support of bus services on contract to them.

But I have doubts about his proposals on the subsequent application of this policy, and I would like to see a commitment to quicker progress after legislation.

We effectively determine the size of the passenger network and pay the deficit incurred in maintaining it; and I am not convinced that there would be a strong incentive for BR to come forward with proposals to substitute buses for trains once this legislation is in place. Some of the money that we pay to BR covers grossly loss-making services, and there are significant public expenditure savings available in the substitution of buses for trains. Although I accept that there will be difficulty in handling this policy with the rail lobby, we need to ensure that BR will be under pressure to come forward with proposals for bus substitution, and that we can take a view on the criteria applied and the rate of progress.

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One mechanism may be to set future grant targets which assume a particular rate of progress on bus substitution; but we must make it clear to BR that we will expect them to take a continuing initiative in the application of this policy. This need not conflict with our commitment that there will be no major route closures: this is no more than sensible alternative provision of public transport services, combined with our continuing insistence that BR should take a rigorous approach to cutting costs on the passenger network.

PK

PETER REES

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Transport Pt 8
BR Policy

110 JUN 1984



✓ CC NO

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NBS/PM

AT 6/6

PRIME MINISTER

BRITISH RAIL BUS SUBSTITUTION

I have seen Nicholas Ridley's minute to you of 22 May about bus services in substitution for some rail services.

I am content with Nicholas's proposals. Indeed, as regards rural areas, I welcome the care he is taking to ensure we have a defensible position publicly, not least to our own supporters. As you know I have been concerned over the same point in relation to de-regulation of local bus services which we have agreed will need to be reflected in the drafting of the White Paper.

I am copying this minute to the recipients of Nicholas's.

PJ

P J

6 June 1984

Transport

BR

Prime Minister ①

Agree to Ridley's
proposals?

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Yes 5

MR TURNBULL

At 24/5

24 May 1984

BRITISH RAIL BUS SUBSTITUTION

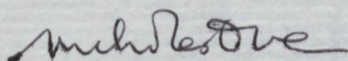
Nicholas Ridley has made a sensible proposal which should make it easier for British Rail to close some of the more absurdly uneconomic provincial lines. The Provincial Services as a whole only cover one quarter of their costs (revenues in 1983 of around £160 million; costs of around £660 million). If bus substitution is successful the deficit could be reduced by a small but useful £45 million a year.

The presentational advantages of the proposal are that the bus services would be under BR control, but not run by them; they might have a BR livery; and their timetables would be integrated into that of the network as a whole, with through-ticketing. These features, combined with a guaranteed life, ensure that the bus services would be a credible part of the BR system. They will not satisfy the out-and-out railway enthusiasts but should go some way towards meeting the genuine transport concerns of the communities affected.

In presenting the proposals we ought to avoid creating a presumption that there would be substitute buses for every rail closure. In some cases there will already be bus services available, and in others, new services might spring into being, within the liberalised framework that is proposed for local buses. The other danger is that in escaping from obligations to operate train services, we lock ourselves in too firmly to providing bus substitutes. Traffic requirements will change. It will be important that the terms of provision for substitute buses be drafted in a way which allows flexibility as to routes and frequency of services.

Although it is not made clear in Nicholas Ridley's note, the grant to BR will be part of the PSO grant already agreed, and not an addition to it. It is not decided yet whether the grant should be earmarked to buses or not. We see advantages in not doing so. BR would have a strong incentive to substitute buses for the worst lines, in order to live within the demanding PSO targets they have been set. There would be no need for BR to haggle about the allocation of the grant.

We recommend agreement to the provisions.


NICHOLAS OWEN

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DASABG

ECL

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10 DOWNING STREET

From the Private Secretary

25 May 1984

Dear Dinah,

bc Nick Owen.

British Rail Bus Substitution

BF | The Prime Minister has seen your Secretary of State's minute of 22 May and, subject to the views of colleagues, agrees with the provisions proposed.

I am copying this letter to Private Secretaries to all members of E(A), Richard Stoate (Lord Chancellor's Office), Murdo Maclean (Chief Whip's Office), David Beamish (Chief Whip, Lords) and Richard Hatfield (Cabinet Office).

Your sincerely

Andrew Turnbull

Andrew Turnbull

Miss Dinah Nichols
Department of Transport

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