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Treasury Chambers, Parliament Street, SW1P 3AG

Miss D A Nichols
Private Secretary to Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

19 June 1984

Dear David

BRITISH RAIL: BUS SUBSTITUTION: DRAFT ANNOUNCEMENT

You wrote to David Peretz on 15 June about the terms of a written answer on Bus Substitution.

2. I understand that since you wrote officials concerned have agreed to delete the following reference:

" and that the resulting financial savings should be used to help provide the resources required for re-equipment and investment in the rail network".

We certainly would not accept that savings should accrue solely to BR rather than to the tax payer, given the scale of public subsidy to this industry and the well established procedures for determining both investment requirements and the deficit on operating costs. The Chief Secretary's views on the need for early progress in public expenditure savings from Bus Substitution were set out in his minute to the Prime Minister of 30 May.

3. Subject to this deletion, we are content with the terms of the draft.

4. I am copying this letter to the Private Secretaries to the Prime Minister, the Secretaries of State for Scotland, Wales and the Environment, the Lord Privy Seal, the Minister of Agriculture, Fisheries and Food, and to Sir Robert Armstrong.

Yours sincerely

J. Grier

PRIVATE SECRETARY

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AT 15/6

Private Secretary to
The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

15th June 1984

Dear David,

BRITISH RAIL: BUS SUBSTITUTION: DRAFT ANNOUNCEMENT

My Secretary of State wrote to the Prime Minister on 22 May (with copies to members of E(A) and others) setting out his proposals for legislation to enable bus services to be substituted for rail services where appropriate. Andrew Turnbull wrote to me on 25 May conveying the Prime Minister's agreement to the proposals, subject to the views of colleagues. The other Ministers concerned raised no objections.

My Secretary of State is hoping to publish, in the first week of July, a White Paper setting out his proposals on deregulation and reorganisation in the bus industry. Legislation for this purpose will be required next Session. The Bill will also cover the proposals for bus substitution, but the two subjects are otherwise separate. My Secretary of State wishes, therefore, to announce the bus substitution proposals in advance of publication of the White Paper. He has concluded that the best way to do this would be by means of a Written Answer to a PQ, linking the proposals to the comments on bus substitution made by the Select Committee on Transport in their report on the Serpell Report.

I attach the terms of the proposed Question and Answer. My Secretary of State would like to make this announcement in the second half of next week and I should, therefore be very grateful if I could have any comments on the draft by midday on Wednesday 20 June.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Secretaries of State for Scotland, Wales and the Environment, the Lord Privy Seal, the Minister of Agriculture, Fisheries and Food, and to Sir Robert Armstrong.

Yours,
Denah

MISS D A NICHOLS
Private Secretary

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DRAFT STATEMENT ON BUS SUBSTITUTION

Draft Question

To ask the Secretary of State for Transport, what action he is taking in relation to the suggestion of the Select Committee on Transport about bus substitution for rail services in their Second Report for Session 1982-83 (HC Paper 240), and if he will make a statement.

Draft Reply

It is not our intention that British Rail should embark on a programme of major route closures. Within the context of that firm policy, however, I share the Select Committee's view that:

" . . . there is a strong case for bus substitution in situations where existing rail services are making significant operating losses and where buses can provide travellers with a reasonable alternative service at substantially lower costs of operation."

I also agree with the Select Committee that it is essential to give travellers confidence in the continuity of substitute services. I fully support the Committee's view that British Rail should be responsible for the provision of the services and that the resulting financial savings should be used to help provide the resources required for re-equipment and investment in the rail network. In short, I believe that any bus substitute service must be of good quality, attractive, guaranteed and - where necessary - subsidised.

It was against this background that I wrote to the Chairman of British Rail last October inviting his views on the practicability of introducing some guaranteed and subsidised substitute bus services where they would be appropriate on local transport and value for money grounds.

The Chairman has welcomed the idea and has stressed that any substitute bus services should be designed as an integral part of the rail network and should be protected by a closure procedure comparable to that for rail services.

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The existing law is inadequate for this purpose. The replacement services provided under it during the 1960s were unacceptable. I have decided, therefore, to introduce legislation at the earliest opportunity reflecting the comments of the Select Committee and the Chairman of British Rail.

The essential features of my proposals are as follows. First, no bus substitute service would be introduced before the existing statutory procedure governing the closure of the rail service concerned been completed. Second, where British Rail considered that a substitute bus service would offer a practical alternative to the existing rail service and provide better value for money, it would make clear in its closure proposal the intention to seek provision of the bus service. I would take account of the bus service proposals in reaching decisions. If I were convinced that the rail service was no longer justified and the proposals for substitute bus services were justified, I would make them a condition of my consent to the closure. Third, the substitute bus service would be protected by a closure procedure similar to that for railway passenger services so as to provide the safeguard for continuity that is essential. Fourth, if the bus service could not be self-financing, it would be subsidised by the Government through the grant to British Rail for the Public Service Obligation. Fifth, British Rail would be required to use contractors to provide the bus service and to seek competitive tenders for this purpose.

I am grateful to the Select Committee for the help I gained from their views in framing these proposals.

Trans wt = B R.

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