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Chancellor of the Duchy of Lancaster

PRIME MINISTER

BR'S INTER CITY STRATEGY - Secretary of State for Transport's
Memorandum of 19 July, E(NI) (84) 8

The question which inevitably arises is what is the effect of all this creative accounting on the rest of British Rail.

The proposal is to transfer £60 m of costs out of Inter City and £11 m of profit in - a total amelioration of £71 m.

The importance of this even in relation to Inter City itself is illustrated by the fact that the "Inter City" loss in 1983 was £107 m. In 1988/89 a profit of £5 m is estimated. There is no indication in the paper that the 1983 figures have been reworked on the new basis. If therefore the position is that £71 m of the "improvement" of £112 m forecast for 1988/89 is due simply to shunting the figures around, it raises some question about the real extent of the improvement planned.

I am sending copies of this minute to the other members of E(NI) and to Sir Robert Armstrong.

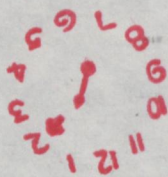
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23 July 1984

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Transport: 6L fares
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Prime Minister

BR'S INTER CITY STRATEGY

Before our discussion of E(NI)(84)8 tomorrow, I should comment on Arthur Cockfield's minute to you of 23 July.

The 1983 Inter-City figures included in the strategy were reworked on the new basis of "sole user" costing, so Arthur's point falls. The sources of the forecast savings between 1984/5 and 1988/9 are listed in paragraph 14 of the annex to E(NI)(84)8, they also include some minor redefinition and rationalisation of the sector.

I am copying this minute to other members of E(NI) and to Sir Robert Armstrong.

NICHOLAS RIDLEY

25 July 1984