

PRIME MINISTER

BRITISH RAIL ENGINEERING LIMITED



Prime Minister ① 4.

1. The Prime Minister's intention - could be used to proceed or proposed?
No. other colleagues have objected. Contact for Mr Reid and Mr Ridley to proceed or proposed?
AT 5/11

At MISC 101 on 29 October I was invited to agree with those Ministers closely concerned the handling of my formal contact with the Chairman of the British Railways Board on the review he has carried out of British Rail Engineering Limited (BREL).

Mr Reid proposes to send me the attached very short letter, which I think avoids any of the difficulties which might be presented by a more detailed report. He is now most concerned that any further delay in reporting to me and opening consultations with his unions could create industrial relations problems with the rail unions, who are already suspicious that a report which was originally expected to be ready during the summer has not yet been made.

I should therefore be grateful for your agreement, by Monday evening at the latest, that Mr Reid may write to me as proposed and open negotiations with his rail unions. In view of the sensitivity of this issue, perhaps your comments could be passed by telephone to my private office.

I am copying this to the Chancellor of the Exchequer, the Secretaries of State for Employment and Energy and Sir Robert Armstrong.

NR

NICHOLAS RIDLEY

2 November 1984

Note Spoke to Mr Ridley's office. Told them PM satisfied with counsel advice proposed an understanding that items 1(a)-(d) were not new but merely reiterated by Chairman's objectives of last October. This condition is satisfied
AT 6/11

BREL

1. The objectives you set me last October included a request for a report on the options for the future of British Rail Engineering Ltd (BREL). The criteria I am using for this work are:

- (a) to reduce the railways' requirement for support from the taxpayer so as to achieve the PSO grant target for 1986/87;
- (b) to run an efficient, reliable and attractive railway giving good value to customers and the taxpayer alike;
- (c) to procure rolling stock and other services wherever possible by competitive tendering and to continue to give the railway equipment industry the opportunity to offer design solutions to meet the railways' requirements;
- (d) || to adjust capacity at BREL to meet forecast requirements. ||

2. The work we have done so far demonstrates that BREL cannot be looked at in isolation. Notably, for example, the manufacturing and maintenance functions of BREL need to be looked at alongside the maintenance and supply activities of the railway itself. And in order to secure fair competition and value for money, it is essential to improve the financial, contractual and accounting relationships between BREL and

the railway. Accordingly, our studies have been widened to include these aspects. Progress on some of them can be made faster than on others and, subject to your agreement, I propose to report progress from time to time as appropriate.

It follows, therefore, that I have not yet completed the review and that I have not yet reached any conclusions about the options for the future of BREL. I will base my judgement, when all the work has been completed, on what would be in the best long-term interests of the railway. Meantime, and with the aim of ensuring that none of the options is foreclosed, I will press ahead with action to increase the efficiency and the competitiveness of the Company.