

PRIME MINISTER

BR AND LRT FARE INCREASES

I think that you and colleagues may like to be forewarned how matters are shaping up on fare increases on British Rail and London Regional Transport. Increases are needed in January, 12 months after the last round and in both cases, though the boards' have not taken their final decisions, their general approach is now clear.

*Reports both
about LRT
and BR
increases
have of
course
already
appeared
in the press
DBR
11/9*

London Regional Transport will need to announce their plans in late September, because it unavoidably takes them a long time to alter all the mechanical ticket issuing equipment - this will be much easier in a couple of years time when they have the new equipment I have recently approved. As they see it, they will be going for an increase of just under 7% on average. There will of course be variations around this. I believe an average increase of that level is very well-justified. LRT are convinced that it fully meets their need to get towards the very tough objective we have set them for reducing revenue support.

The British Railways Board are able to defer their announcement until a good deal later and plan to make it in early November. They will be going for a wide spread of increases adapted to the objectives we have set them in widely different markets. The spread is such that it will be difficult to express them as a single overall figure. On the London commuter services the increases would average out at about 7½%, but on the long distance and inter-city services where they have certainly been underpricing, to the detriment of the coach market, they will be going for increases averaging 10%, and more for first class travellers. I am sure it is right for them to take this strongly market directed course; the lack of progress in reducing the deficit on the inter-city

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services has been very worrying.

I will discuss with Sir Robert Reid nearer the time how he intends to handle the presentation of what is bound to be a somewhat complicated package.

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

A handwritten signature in dark ink, appearing to be 'NR' with a flourish.

NICHOLAS RIDLEY

3 September 1985

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