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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Nicholas Ridley AMICE MP
Secretary of State for Transport
Department of Transport
2 Marsham Street
London
SW1P 3EB

Prime Minister 2

19/5.

19th May 1986

Dear Nicholas,

BRITISH RAIL: RATIONALISATION OF BREL

Thank you for your letter of 14 May.

I appreciate that BRB's current proposals follow the broad outlines endorsed by colleagues in August 1985 and announced by BRB in January 1986. You will recall that Ian Stewart in agreeing to the broad outline of BR's proposals in August stressed that final decisions on the structure and the division of work between the depots and BREL core must depend on detailed study by Government of the then envisaged Chairman's report as well as suitable arrangements for finance. Against this background, I would have welcomed more opportunity to consider BR's detailed proposals.

I understand, however, that BRB's proposals offer a robust, high rate of return, with a NPV estimated at over £100 million in 15 years. I can therefore agree in principle that in order to finance these proposals, BR's EFR in 1986-87 and 1987-88 will be higher than it would have otherwise been. The figures will need, as you suggest, to be examined carefully by officials. I would hope - as you imply - that BR can find offsetting savings and that there will be no need for any adjustment to BR's EFL for 1986-87. The increase in 1987-88 will need to be considered in the IFR against other BR requests for that year while the savings in subsequent years will obviously be useful.

Given the recent British Shipbuilders' announcement, BR's own announcement will clearly need to be handled with considerable care. BR propose to spend around £6 million on alternative employment measures designed in cooperation with local authorities to foster jobs over the next three years: you will no doubt

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encourage BR to emphasize the steps they are taking. In addition, as you suggest, we should stress that it is for BRB to decide on how best to rationalise BREL. I also understand that your Department will emphasize that a major factor in the reduced work load for BREL results from investment in more efficient rolling stock which require less maintenance.

By March 1987 core BREL dealing with new build and heavy repair should be operating on a fully commercial basis. Officials should press on with consideration of the options for privatising this core BREL group.

I am copying this letter to the Prime Minister, Willie Whitelaw, Norman Tebbit, David Young, Paul Channon, and Malcolm Rifkind.

Yours ever,

John

TRANSPORT
BR
PT 8

JOHN MacGREGOR

19 V. PM 86

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Seen by the Prime Minister 16/5. DRW

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

pa

14 May 1986

Prime Minister 2

DRW 15/5.

Dear John

As you know British Rail have been taking steps to rationalise their arrangements for rolling stock maintenance and manufacture. In the course of this process they announced in January their intention to divide BREL into two parts:

- a new Build and heavy Repair Group (NBRG) involving Crewe, York, Derby.

- a Maintenance Group (BRMG) involving Eastleigh, Wolverton, Glasgow (Springburn) and Doncaster. (These will ultimately be brigaded with BR's non-BREL Depots.)

They said then that they could not give the workforce any detailed information about what the policy would imply at individual works, since that would require further examination. There has naturally since been a good deal of speculation, and several requests for deputations to Ministers from individual works.

BR have a major meeting with their unions on 20 May at their Rail Council and they feel they must then go into more detail if they are to retain credibility, and minimise the risks of industrial relations problems from the changes.

Your officials have recently seen the Board's evaluation of their overall proposals which shows that the changes in maintenance arrangements offer large potential benefits. But because there will be a sizeable number of job losses (currently forecast at some 4,800 over and above those BR have already announced, spread over the two years 1987/88-1988/89, details in table A attached), most of which will have to be met by redundancies, the policy also carries the corollary that BR's EFR in those years will be higher than it would otherwise have been, more than offset of course by the consequential reductions in later years.

Bob Reid has asked me to confirm before the meeting on 20 May that Government accepts in principle that the Board will need to incur extra expenditure in order to pursue the course they will be announcing.

Although I recognise that any increase in the EFR will be unwelcome I see no real alternative but to giving him that undertaking in principle. The Board are already a long way down the course, and it would be very difficult to reverse direction now, quite apart from the fact that it would mean giving up the sizeable benefits that are to be expected from their policy. (It would also prevent any possibility of privatising part of BREL for the forseeable future.)

However agreement in principle need not commit us at this stage to precise figures, and our officials will need to pursue with BR what are the minimum changes - if any - that would be necessary to the existing EFL and their plans for subsequent years.

I should be grateful if I could have your early agreement that I should tell Bob Reid that we support his Board's management judgement on how best to rationalise BREL; that we agree in principle that as a result their EFR in 1986-87 and 1987-88 will need to be higher than it would otherwise have been; and that the size of any necessary change in EFL for 1986/87 should be examined further by officials.

I am copying this letter to the Prime Minister, the Lord President, the Chancellor of the Duchy, the Secretary of State for Employment, and the Secretary of State for Trade and Industry.

Yours ever
Nicholas

NICHOLAS RIDLEY

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BREL MANPOWER: FORECAST JOB LOSSES 1987/88-1988/89

Crewe		245
Derby (Litchurch Lane)		644
Derby (loco)		316
Doncaster		1161
Eastleigh		389
Glasgow Springburn		487
Horwich		24
Swindon		388
Wolverton		981
[York	gains	56]
HQ		237
TOTAL		4816