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10 DOWNING STREET

From the Private Secretary

15 July 1983

The Meeting with Mr. Bob Reid

The Prime Minister had a discussion with Mr. Bob Reid, Deputy Chairman of British Rail, this morning. Your Secretary of State was also present.

The Prime Minister asked Mr. Reid if there was an overlap between British Rail's commuter services in London and the London Transport network. Mr. Reid said that there was an overlap, particularly in north London. In some places LT and BR track ran alongside one another, and there was scope for rationalisation and economies. The Prime Minister asked why, under the present system, such economies could not be forced through. Why was it necessary to create a new quango? Mr. Reid said that the problem in the past had been that British Rail were answerable to the Department of Transport, and London Transport were answerable to the GLC. Even before the present regime at the GLC this had made rationalisation difficult. London Transport was working to a different set of objectives, and in a different financial regime from British Rail. London Transport and British Rail had for a number of years sat together on a committee to bring about just those economies which the Prime Minister had mentioned. But the committee had been a failure for the reasons he had given.

The Prime Minister said that she suspected that if British Rail received subsidy from two sources, from the London Transport Regional Authority and from the Department of Transport, it would find it easier to obtain a larger total subsidy from the public purse. Your Secretary of State pointed out that the ultimate source of both subsidies would be the Department of Transport, who would be able to prevent this situation from taking place. The Prime Minister said that the Strathclyde Passenger Transport Executive did not provide a happy precedent for what was envisaged for London: the Secretary of State for Scotland had told her that the Strathclyde Executive were unable to challenge British Rail's costings, and simply paid whatever British Rail demanded. Mr. Reid said that it was not British Rail's intention to demand more and more subsidy; on the contrary, they sought to manage with a decreasing subsidy, and expected over the next five years to ask for a smaller grant

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each year. So far as Strathclyde was concerned, their books were open to the Strathclyde Authority, and it was for them to challenge their costings if they believed them excessive. Mr. Reid said that he had some worry about the size of the undertaking which would be under the command the new new London Regional Transport Authority. It was always difficult to control vast undertakings. But he would find it helpful to be told what service quality and cost constraints he must preserve in providing commuter services in London. At present the Board handed down this framework to their regional directors, in the belief that this was what the Government wanted, but without any explicit direction from the Government. The framework within which the Board currently operated was the very unsatisfactory directive to maintain services up to the pre-1974 standard.

The Prime Minister said that she saw the force of these points. But she was not clear why the Department itself could not lay down the desired standards, and supervise the necessary rationalisation in London. Your Secretary of State referred to the earlier discussions between Ministers, in which it had been argued that a renationalisation of London Transport would in itself be undesirable, and that the Department's resources, stretched as they were to deal with the roads programme, airports, British Airways, ports, and so on, would be inadequate, particularly so far as the necessary managerial and business skills were concerned.

Finally, Mr. Reid was invited to say whether he favoured the creation of a new London Regional Transport Authority. Mr. Reid said that he favoured the creation of a small body of businessmen and financiers who would allocate subsidy as between British Rail and London Transport, would set down the service objectives and priorities which were desired, and who would ensure that the necessary economies were made.

The Prime Minister said that she was sure Mr. Reid was right to say that this should be a small body: a kind of holding company, with operating subsidiaries beneath it, no large staff of its own, and making extensive use of consultants, outside accountants and so on.

I am sending copies of this letter to John Gieve (Chief Secretary's Office), Alex Galloway (Chancellor of the Duchy of Lancaster's Office) and John Ballard (Department of the Environment).

M. C. SCHOLAR

Miss Dinah Nichols,
Department of Transport.



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Prime Minister

I attach Ferdie's notes on
London ~~Transport~~ Regional Transport
Authority.

I do think it will be important
with Mr Reid to concentrate on
the London issue - you will have
ample opportunity in doing so
to gauge his attitude to all that
is wrong in BR without taking him
on explicitly on this (which would
take up all the time).

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