

Prime Minister ①

Agree to Ridley's

CONFIDENTIAL
proposals.

AT 12/1

Yes

no

cc Mr Redwood

MR TURNBULL

CAMBRIDGE RAILWAY ELECTRIFICATION

Mr Ridley's decisions look sensible, and are consistent with the Government's approach to BR.

On the costs side, BR management is prepared to reduce maintenance staff (see FT story today about 3,500 redundancies at BREL in the next year) and hence achieve savings which electrification can make possible.

On the revenue side, we are concerned that BR might underestimate the impact of bus competition, once the M11 extends closer into central London, and the effect of any line closures North of Cambridge on Cambridge-London traffic. However, bus competition is more of a threat to BR's long-distance services than to long distance commuter traffic from locations such as Cambridge. Even a completed M11/M25 system would have difficulty competing with rail for City commuters arriving at Liverpool Street. Moreover, the South Cambridge population is growing rapidly. The sensitivity to lower traffic forecasts on the Bishops Stortford route tested by BR (only half the expected growth in revenue) seems to cope adequately with these points.

Mr Ridley is right to reject the Royston proposal. The decision would doubtless irritate local interests (eg if Bishops Stortford-Cambridge is electrified, why not Royston-Cambridge?), especially as the cost per mile of the electrification work is roughly half as great on the Royston-Cambridge stretch (only £2 million for 10½ miles, compared to nearly £10 million for 24 miles) because there are fewer bridges. However, operating costs on the Royston stretch are higher with electrification than with diesel. This is because the four-car electrical units - the smallest available - would not be economic with the small flow of traffic on this route, unless, as BR have done, one makes wildly unrealistic forecasts about the growth in traffic (one-third). The diesel units used at present are only two-car units. There is also the point that some of this extra traffic would be at the expense of the other route.

We recommend support of Mr Ridley's decisions.

NICHOLAS OWEN
12 January 1984

CONFIDENTIAL



bc Nick Owen

10 DOWNING STREET

From the Private Secretary

13 January 1984

Cambridge Railway Electrification

The Prime Minister has seen your Secretary of State's letter to the Chief Secretary of 10 January. She agrees with the proposal to approve the electrification of the line between Bishops Stortford and Cambridge and to turn down the scheme to electrify the line between Royston and Cambridge.

I am copying this letter to John Gieve (Chief Secretary's Office) and Richard Hatfield (Cabinet Office).

(Andrew Turnbull)

Miss Dinah Nichols,
Department of Transport



DEPARTMENT OF TRANSPORT
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The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON SW1P 3AG

10 January 1984

Dear Peter

CAMBRIDGE RAILWAY ELECTRIFICATION

You will recall that in 1981 my predecessor considered proposals by BR to electrify several lines in East Anglia. The "Anglia East" scheme (from Colchester to Ipswich, Harwich and Norwich) was approved. But BR were asked to reappraise the "Anglia West" scheme (from Bishops Stortford to Cambridge and from Royston to Cambridge). BR have completed their reappraisal of the Cambridge schemes, in the process reducing the capital cost by over £6 million mainly by not building a new maintenance depot which was in the earlier plan. They now seek approval to electrify the lines to Cambridge at a cost of just over £12 million.

The southern parts of both routes to Cambridge are already electrified. The services to Cambridge provided on these routes are part of the London and South East passenger network. So this is a proposal to round off electrification on two stretches of line which provide primarily commuter services; it is not mainline electrification.

BR is not going to propose closing rail services between London and Cambridge. Nor could we reasonably suggest that they should do so. So the issue for decision is whether electrification is the most cost-effective way of providing these services.

I have no doubt that electrification is the most economic option for the 24 mile Bishops Stortford - Cambridge line. Electrification would allow the replacement of diesel by electric services on this section, and eliminate diesel operation "under the wires" from Bishops Stortford to Liverpool Street on through Cambridge trains. There would be big savings in maintenance and fuel costs and some extra revenue. As compared with the base case of continuing with diesel, an investment of £9.78m in electrification would yield a positive NPV of £16.4m and an internal rate of return of 28%. It would still yield a return of 22% even if revenue gains were only half those estimated by the Board. Since the proposal shows a good and robust financial return, I propose to approve it.

The Royston - Cambridge scheme is very different. The service on this route carries fewer people than the Bishops Stortford service, and passengers from Kings Cross have to change at Royston. Electrification of the 10½ miles of route would cost just over £2 million, and needs careful appraisal as an "add-on" to the main scheme. The Royston - Cambridge electrification scheme in fact only just produces a positive net present value in BR's evaluation but their case rests entirely on forecasts by them of improvements in revenue. I am not convinced by these forecasts. I therefore propose to turn down this part of the scheme as not economically justified.

A decision to approve the good scheme (Bishops Stortford) and turn down the doubtful scheme (Royston) would, I believe, give the Board the right message and be consistent with the objectives we gave Bob Reid on 24 October.

I propose to announce my decisions on Cambridge electrification in reply to a PQ on 16 January when I have First Order Questions.

I am copying this letter to the Prime Minister, and to Sir Robert Armstrong.

Yours em

Nicholas

NICHOLAS RIDLEY

10 JAN 1984





NBYM

BT 13/11

Treasury Chambers, Parliament Street, SW1P 3AG

Diack Nichols
Private Secretary to the
Secretary of State for Transport
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

13 January 1984

Dear Dick

CAMBRIDGE RAILWAY ELECTRIFICATION

Your Secretary of State wrote to the Chief Secretary on 10 January on this subject. The Chief Secretary is clear that tight financial discipline is the key to success in our dealings with BR so he is glad to see that your Secretary of State proposes to reject the Royston to Cambridge proposal. He has looked sceptically also at the Bishop Stortford to Cambridge proposal but, in view of the appraisal that has been done, he is content for electrification there to go ahead. He hopes that your Secretary of State ^{will draw} ~~for~~ the necessary distinctions in his statement to make clear that main line electrification is still a separate issue.

copies of this go to Andrew Turnbull and Richard Hatfield.

Yours sincerely

John Gieve

JOHN GIEVE
Private Secretary

13 JAN 1980

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