

THE SERPELL REPORT ON THE RAILWAYS

On 20th January 1983, Mr David Howell, Secretary of State for Transport, published the Report of the Committee on Railway Finances, chaired by Sir David Serpell, a former director of British Rail. The Committee had been appointed by Mr Howell in May 1982 in response to requests by the Chairman of British Rail, Sir Peter Parker, and against a background of soaring levels of support from the taxpayer (who in 1982 contributed more to BR's revenues than the fare paying passenger).

Even before the Report was published, alleged leaks and speculation circulated in the national press, and although they could not have seen the Report, Labour and SDP Members were quick to condemn it, in particular some supposed conclusions which were not contained in the Report at all. Two of these concerned alleged recommendations that commuter fares should rise by 40 per cent and that the rail network should be cut. These were not only not recommended, but the figure of 40 per cent was not even mentioned in the Report.

Efficiency and Value for Money

The Serpell Report consists of two Reports, one signed by the majority of the Committee and a Minority Report submitted by one member of the Committee, Mr Goldstein. In many areas the two Reports are in agreement, particularly in identifying the scope for savings in British Rail and opportunities for achieving better value for money. The main text of the Majority Report assesses how performance and efficiency of the railways could be improved. It identifies 'ample scope for further improvements' in productivity and gives detailed and quantified analysis of where savings can be achieved. Both Reports also agree that sensible planning has been hindered by deficiencies in BR's management information and control systems, and recommend that these should be improved as a matter of urgency.

Subsidy and Investment

The Committee questioned British Rail's case for increased support from the taxpayer. They were not satisfied that a major backlog in renewals existed and did not accept BR's case for massive new investment in the railways. The Majority Report did not find that increased support was needed, given some help with the transitional costs of achieving savings. Neither were they persuaded that the railways needed an immediate increase in investment, although higher investment levels would be needed in the late 1980s and early 1990s. The Minority Report was less optimistic about the likelihood of BR achieving savings, given its performance in the past, and directed its attention to the longer term 'options' and the management structure of the railways.

The Network Options

The part of the Report which has caused the greatest controversy is the section which sets out options for alternative policies for the railways, some of which, if adopted, would mean cuts in the network. Labour members chose to regard these options as recommendations, although the Committee emphasised that 'to avoid misunderstandings, we should emphasise first that the 1992 Network Options are no more than "illustrations"'.

The options illustrate the sort of network that could be expected, given a variety of different levels of public support, ranging from a railway network that would break even in the long run to a railway requiring increased Government subsidy, together with a range of options in between.

In assessing the options, the Report also examined the possibility of providing buses as a cheaper and better public transport alternative to some high loss-making rural train services, with suggestions as to how these bus services could be successfully maintained.

The Government's Attitude

The Report was debated in the House of Commons on 3rd February. The Government, in an amendment to an Opposition motion condemning the Report, welcomed the Report as providing for 'informed debate about how to achieve a better deal for both the rail customer and the taxpayer, and how to cut costs and raise efficiency and establish a clear and positive direction for the railway's future for those it serves and those who work within it' (*Hansard*, 3rd February 1983, Col. 441). Mr Howell has made it clear that the opportunities for improvements in efficiency are the top priority for action flowing from the Report.

As far as the network options are concerned, **Mr Reginald Eyre**, Parliamentary Under-Secretary of State for Transport, explained: 'They are not the Government's options nor their only choices. Still less are they conclusions ... Their value is to stimulate informed public debate on the costs and efficiency of this form of public transport' (*Hansard*, 3rd February 1983, Col. 507). But as the railways are getting over £900 million a year of public money in direct support, it is right to examine whether there are better and more cost effective ways in some areas of meeting our transport needs. For example, as **Mr Howell** said: 'when considering rural transport needs it cannot be right to set our face against the best use of resources, new technology, alternative and different forms of service that are cheaper for the passenger and which, if they are applied, will save rural services that might otherwise be threatened' (*ibid.*, Col. 443).

The Longer Term

During the debate on the Serpell Report, Mr Howell drew attention to the proposition put forward to the Serpell Committee by the board of Southern Region, that it might be organised as a separate and independent company, in order to encourage better management, loyalty, good work practices and good service. Mr Howell wished to see public debate on this issue. He also drew attention to the opportunities for greater involvement of private capital. He concluded:

'In the short term we all know, and the Report emphasises, that cost savings are essential, that further substantial cost savings and management improvements can be achieved. The Report is clear about that. In the longer term, after 30 years of nationalisation, we clearly need a better structure for our railways. I believe that Serpell provides the stepping stone which should be welcomed and used as an advance towards that better railway' (*ibid.*, Cols. 446-447).

KM/JLS