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CABINET OFFICE
Central Policy Review Staff

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From: J. R. Hbb.
CONFIDENTIAL

Qa 05749

16 December 1981

Dear Lord Hb,

Review of British Rail Finances

below -

NO MLS

I understand that the Secretary of State for Transport wishes to announce the name of the Chairman and the terms of reference for the proposed review tomorrow, Thursday 17 December. You will recall that in my letter dated 26 November to the Secretary of State for Transport I expressed the view that, as at present conceived, the review is likely to expose the conflict between the need to contain the financial commitment and the desire to maintain the existing system. I suggested that before the review was formally announced it would be important to decide how the likely outcome that would point up the dilemma would be handled.

In my letter I suggested that the review would fall in two parts and that it might be wise to keep them separate. These were -

First, to establish the reasons for falling revenue and rising costs, to identify associated management problems and propose solutions;

Second, to establish a quantified analysis of the amounts of money needed to sustain various levels of network and services.

I still believe that in practice a Chairman of the review will have great difficulty in coming to really constructive conclusions on all these matters if he has to try to carry the various interested parties

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
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with him in a published report. There is a risk that a much publicised review will be set up and then achieve very little or even do harm through making the situation more difficult to resolve.

I think that to achieve a satisfactory outcome on the first part of the review will require extensive use of consultants. There would be a number of alternative ways of commissioning them, ranging from this being done by the Department of Transport or by the appointment as now proposed of an outside Chairman of a review.

On the second part of the review unless there is now confidence about how the dilemma between expenditure and size of railway will be resolved, I still believe it may be prudent for these strategic aspects to be examined on a confidential basis, perhaps in a similar way to that used by the CPRS last summer in their consideration of the "commercial" railway.

I am sending a copy of this letter to Sir Robert Armstrong.

Yours sincerely,
J.R. Ibbs
J R Ibbs

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THE PERMANENT SECRETARY
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~~c - Miss Andrews.~~

15 December 1981

~~c Mr. Raitly
c Dr. Richard
c Mr. Mackenzie~~

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My dear Douglas

RAILWAY REVIEW

You had to tell us that the Chancellor did not like my Secretary of State's first thought for a Chairman of our forthcoming railway review. That has all been put away, amicably. We have put on our thinking caps again, and my Secretary of State has hit upon a solution which he finds very attractive, and with which he understands that both the Prime Minister and Sir Peter Parker would be content. This is that the Chairman should be Lord Marshall. I need hardly mention his very extensive experience of public affairs or the fact that his particular concern with transport has been with the coach industry, not with the railway.

I hope that this suggestion will be equally welcome to the Chancellor.

I should be most grateful to know that all is well now for us to proceed. We have a timing difficulty. It is that, unless things go badly wrong on the industrial relations front with one of the Railway Unions, my Secretary of State has a long-standing engagement on Thursday to meet the Board and the Railway Unions together in the Railway Council, and it would obviously be very useful to him to know that his way is clear to set up his review. But I am sure that he would want to have had a word with Lord Marshall before then.

We shall need Terms of Reference and there is a draft in existence. But it would be sensible in any event to discuss them with the review's Chairman before we finally settle. The Treasury will be in on this, of course.

I am sending a copy of this letter to Robert Armstrong.

Yours ever

P.B.

PETER BALDWIN