

PRIME MINISTER

CHAIRMAN OF THE RAILWAY FINANCE REVIEW BOARD

Prime Minister.
We are awaiting further
advice from Mr Howell. We
have asked him, as you will know, to
submit to us some names with experience of
transport economics.

Prime Minister (2)

MS 3/2

per
3i.

ms

1. You made it clear that you thought that the Chairman of the review of rail finance should have some experience of transport as well as being skilled in finance and business management.
2. I think the obvious candidate is Christopher Foster. He certainly has stature in industry and has had considerable experience as a "company doctor" in Coopers Lybrand. I believe he has sound ideas and, more critically, the moral courage to carry them through. Since he is on Megaw, he may not be available immediately.
3. Another possibility is Alfred Goldstein. He served with me on the Roskill Commission some 12-14 years ago. He is the senior partner in the firm of civil engineers, R. Travers Morgan and Partners. He is well-known and very well respected in transport circles. But he has not had Foster's very extensive experience as a "company doctor". On the other hand, Goldstein is enormously intelligent and erudite. He is a natural economist, and is in my view even better than Foster in this regard, and he has a very fine, logical mind. But most important again, he has even greater moral courage than Christopher Foster this. I have seen displayed in various instances, such as the Roskill Commission and the Australian Airport project and the Australian railway projects.
4. You mention the possibility of bringing in a foreigner who had been a successful railway administrator. I am afraid they are rather rare birds. And they usually have their own peculiar ideas on optimum railway financial arrangements. I cannot think of one who I could in good faith recommend.
5. I mentioned Foster and Goldstein to Sir Peter Baldwin. He believed they were possibles and was going to approach David Howell.

3 February 1982

ALAN WALTERS

AW

CONFIDENTIAL

1 February 1982

1/25
B.P.
2/2/82

MR VEREKER

cc Mr Whitmore
Mr Walters
Mr Hoskyns
Mr Scholar

BR

1. Your minute of 28 January to Alan Walters suggested that the present BR dispute might provide the basis for a re-examination of BR's operations, leading to a substantial round of contraction. You also suggested that rumours of contraction might help to bring ASLEF to its senses.
2. You should see the attached correspondence about the forthcoming "Review of Rail Finance". The terms of reference appear to me to provide the right Chairman for this Review with an opportunity to recommend a major change in policy and perhaps in the statutory framework within which BR operates. If the Government knows the kind of recommendation it wants, then it should surely select a Chairman and Committee whose minds are at least open to considering radical options.
3. Depending on the radicalism of the Committee, it might be necessary to amend the terms of reference. I suppose the phrase "in the light of stated policies and statutory duties" could lead the Committee to take these as fixed, if they were so inclined.
4. Alan Walters' first thought for a suitable Chairman is Professor Christopher Foster. David Wolfson has suggested one name.
5. I do not know whether this Review has been publicly announced, whether the railway unions are aware of it, or whether the terms of reference have been or need to be negotiated with the unions. All these questions seem worth following up. I notice that Anthony Mayer's letter says that David Howell "sees the Review as a very important element both in the present disruptive rail scene, and in handling the aftermath". It is odd, therefore, that this subject has not cropped up in your meetings.

ANDREW DUGUID

CONFIDENTIAL



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

- ~~1. Mr. [unclear]~~
- 2. Mr. Wolfson

I do not know him. AW

Michael Scholar Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

Should make some notes with expressions. What is the case for going for a chairman with knowledge of Dept of Transport; or are you content for Mr Howell to approach Sir Gordon Hobday?

Prime Minister.

19 January 1982

11/5 20/1

Dear Michael,

transportation economics such as Sir James Hanson. Would you like me to pursue this with the Dept of Transport; or are you content for Mr Howell to approach Sir Gordon Hobday?

REVIEW OF RAIL FINANCE

As you know, we have for some time now been trying to find a suitable person to chair the proposed review of rail finance. Our approach to Sir David Steel, about which we were in touch before Christmas, did not work out: he was not available until Easter.

The proposed terms of reference for the review are as follows:

"The object is to review the finances of the railway and associated operations in the light of the policies stated by the Government towards the British Railways Board and the passenger service obligation imposed under the Railways Act 1974, and the Board's other statutory duties; the rising losses of the Board on its rail operations; the Board's concerns about the adequacy of expenditure on renewal of the assets of the railway; the Board's plans for improving business results; and to report its findings."

They have been agreed with my Secretary of State, the Chancellor and the Chief Secretary.

My Secretary of State now has it in mind to approach Sir Gordon Hobday, Chancellor of Nottingham University and until recently Chairman of Boots, to see if he could take on a review on this basis. Mr Howell thinks that Sir Gordon is a very attractive proposition. He has extensive business experience and is sufficiently independent for any recommendations which he might make to carry full conviction. The Chancellor of the Exchequer would be content for Sir Gordon to be asked to take this on; and Sir Robert Armstrong has confirmed that he would have no objection.

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My Secretary of State would be grateful to know if the Prime Minister is content for Sir Gordon to be approached on this basis. If she is, my Secretary of State will be in touch with him at once. He is anxious that the Review should if possible be completed by the late Spring, so that Ministers can reach conclusions on the results when they are also considering the corporate reviews of other nationalised industries. He sees the review as a very important element both in the present disrupted rail scene, and in handling the aftermath.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer, the Secretary of State for Industry and to Sir Robert Armstrong.

Yours,

Anthony Mayer

R A J MAYER
Private Secretary

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cc

10 DOWNING STREET

From the Principal Private Secretary

29 January 1982

Dear Anthony,

REVIEW OF RAIL FINANCE

The Prime Minister has seen your letter of 19 January 1982 to Michael Scholar in which you convey your Secretary of State's recommendation that he should approach Sir Gordon Hobday to see whether he is prepared to take on the review of rail finance.

~~S/F~~

She has asked whether it would not be preferable to appoint someone with transport experience to take on the review. With this in mind, she would like to know who runs the most successful railway system on the continent: she wonders whether it would make sense to ask him for advice on British Rail's finances.

I am sending copies of this letter to John Kerr (Treasury), Jonathan Spencer (Department of Industry) and David Wright (Cabinet Office).

Yours ever,

Steve Whitman.

Anthony Mayer Esq.,
Department of Transport.

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DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

~~1. Mr. [unclear]~~
2. Mr. Wolfson
~~1. Mr. [unclear]~~ no
I do not know him. AW

Michael Scholar Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

Should make someone with transport experience. Who has the most successful background?
Do you know Sir G. Hobday?

19 January 1982

M/S 20/1

Prime Minister.

Dear Michael, David Wolfson considered whether there was a case for going for a chairman with knowledge of transportation economics such as Sir James Hanson. Would you like me to pursue this idea with the Dept of Transport; or are you content for Mr Howell to approach Sir Gordon Hobday?

REVIEW OF RAIL FINANCE

M/S
26/82

As you know, we have for some time now been trying to find a suitable person to chair the proposed review of rail finance. Our approach to Sir David Steel, about which we were in touch before Christmas, did not work out: he was not available until Easter.

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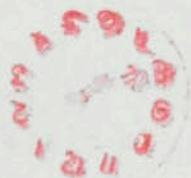
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Yours,

Anthony Mayer

R A J MAYER
Private Secretary

CONFIDENTIAL



71 JAN 6 1982

COMMUNICATIONS SECTION