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DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

✓ 5V  
Prime Minister (2)

MS 22/3

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

19 March 1982

Dear Michael,

REVIEW OF RAIL FINANCE

Thank you for your letter of 15 March.

My Secretary of State is happy to accept the amendments suggested by the Prime Minister. I am attaching, for convenience, the terms of reference now agreed.

The next task is to appoint a chairman. Unfortunately, Sir Maurice Hodgeson has just declined the job. We will now be approaching Sir David Orr, but as he is out of the country, he cannot be seen until 30 March.

I am copying this to John Kerr (Treasury), Terry Mathews (Treasury), David Wright (Cabinet Office) and Gerry Spence (CPRS).

Yours,

Anthony Mayer

R A J MAYER  
Private Secretary

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P.M.'s SUGGESTED AMENDMENTS

DRAFT TERMS OF REFERENCE FOR THE REVIEW OF BR FINANCES

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 Board's statutory duties; the rising losses of the Board on its rail operations; the short and long term effects on the Board's financial position of the recent industrial dispute; the Board's concern about the adequacy of expenditure on renewal of the assets of the railway; and the Board's existing plans for improving business results; to identify other opportunities for improving business results and the measures necessary to secure them; and also to identify possible changes in objectives that would help to secure improved financial results.

and policies

2 2 MAR 1982





✓ CC 50  
Thompson

Treasury Chambers, Parliament Street, SW1P 3AG

Anthony Mayer Esq  
Private Secretary to  
The Rt Hon David Howell MP  
Secretary of State  
Department of Transport  
2 Marsham Street  
London SW1P 3EB

MBPM

MW 17/3

17 March 1982

Dear Mr. Mayer,

REVIEW OF BRITISH RAIL FINANCES

Michael Scholar wrote to you on 15 March recording the changes which the Prime Minister wishes to see in the draft terms of reference for this Review.

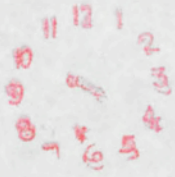
The Chief Secretary would not want to press for the retention of the words "in the light of the policies stated by the Government". However, he recalls that these words were intended to ensure that the Chairman of the Review took on board the Government's broad policy objectives of reducing public expenditure over time and conducted the Review within that framework. He trusts that it will remain your intention to make this point clear to the Chairman and any others conducting the Review.

I am copying this letter to Michael Scholar, David Wright and Gerry Spence.

Yours sincerely  
TFL

T F MATHEWS  
Private Secretary

7 MAR 1982





ec Tu Es  
Transport

10 DOWNING STREET

*From the Private Secretary*

15 March, 1982.

Review of BR Finances

Thank you for your letter of 11 March.

The Prime Minister believes that if the words "in the light of the policies stated by the Government" were retained in the terms of reference, the Government would be asked immediately to define precisely what its policies are towards the railways. She would accordingly prefer these words to be omitted, and also to have the addition of "and policies" after "objectives" in the penultimate line. But she is otherwise content with the draft terms of reference.

I am sending copies of this letter to John Kerr (HM Treasury), Terry Mathews (Chief Secretary's Office), David Wright (Cabinet Office) and Gerry Spence (CPRS).

M. C. SCHOLAR

Anthony Mayer, Esq.,  
Department of Transport.

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M. J. V.

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*If Mr. Howell's words are inserted we shall be asked unequivocally to define precisely the policies towards the railways.*

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01-212 3434

①

Prime Minister

Mr Howell wants the asterisked words inserted in the terms of reference in order to minimize the risk of the

11 March 1982 Review being labelled as a "Beeching" <sup>exercise</sup> Robin Ibbis

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

*I should prefer not to have them in*

Dear Michael,

*No have the various additions and policies added and*

would prefer "and policies" added in the penultimate line. Are you content with

REVIEW OF BR FINANCES

Mr Howell's draft? Or would you prefer Robin

Thank you for your letter of 8 March about the Review of BR Finances.

My Secretary of State saw Sir Maurice Hodgeson earlier this evening. He will let us have his decision next week. Thereafter, we might have to move rather fast.

*Ibbis addition? mes 12/3*

I am therefore writing to you now about the Terms of Reference, and your comments on them. My Secretary of State agrees that the first sentence should be shortened by omitting the reference to the Public Service Obligation. He would, however, much prefer to keep the words "in the light of the policies stated by the Government". That is because he sees a need for the Review to be carried out sequentially. First, there would be a thorough examination of the Board's business performance to see whether they could achieve sufficient improvements in productivity and business performance, overall, to enable them to comply with the existing policies within the planned public expenditure provision. If, however, as the Board contend, that cannot be shown to be practicable, then the Review would examine the savings that could be achieved by changing the Government's policies. That possibility is certainly not ruled out. Indeed, it was recognised in the final words "to identify possible changes in objectives that would help to secure an improvement in business results". My Secretary of State is not keen to make that very much more explicit. Otherwise, he feels, the Review could be labelled from the outset as another "Beeching" Review, which could well prove counter-productive.

The Chief Secretary has suggested in his letter of 9 March that the terms of reference should be extended to include an examination of measures necessary to secure an improvement in the present set up as well as options for changes in policy. My Secretary of State would be entirely happy to accept this, though we have agreed a slight modification of the actual words with the Treasury.

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The attached copy of the revised Terms of Reference covers both these points.

Our aim would be to announce the setting up of the review through a written answer. I will check the exact timing with you beforehand.

I am sending a copy of this letter to John Kerr (Treasury), Terry Mathews (Treasury), David Wright (Cabinet Office) and Gerry Spence (CPRS).

Yours,

Anthony Mayer

R A J MAYER  
Private Secretary

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## DRAFT TERMS OF REFERENCE FOR THE REVIEW OF BR FINANCES

The object is to review the finances of the railway and associated operations in the light of the <sup>\*</sup>policies stated by the Government towards the British Railways Board and the <sup>\*</sup>Board's statutory duties; the rising losses of the Board on its rail operations; the short and long term effects on the Board's financial position of the recent industrial dispute; the Board's concern about the adequacy of expenditure on renewal of the assets of the railway; and the Board's existing plans for improving business results; to identify other opportunities for improving business results and the measures necessary to secure them; and also to identify possible changes in objectives that would help to secure improved financial results.

| and policies (Ibbs'  
suggestion)

\* omission suggested  
by No 10.

Transport

cc JV



Prime Minister (2)

mes 10/3

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon David Howell MP  
 Secretary of State  
 Department of Transport  
 2 Marsham Street  
 London SW1P 3EB

9 March 1982

D Davis

MB

## REVIEW OF BRITISH RAIL FINANCES

Thank you for your letter of 4 March setting out revised terms of reference for the Review of Rail Finances.

I welcome the changes which you suggest and agree that we should now make clear that policy changes are not ruled out.

However, I wonder whether in redrafting the concluding passage in the terms of reference, this has not got too compressed. What we want the Review Chairman to cover in his recommendations is both measures necessary to secure an improvement in the present set up and to generate options for a change in policy. Perhaps this might be done by amalgamating the two versions so that the concluding passage reads as follows:-

"And to identify measures necessary to secure an improvement in business results, together with possible changes in objectives."

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

Lew

A handwritten signature, likely 'Lew', enclosed in a circular scribble.

LEON BRITTAN

110 MAR 1982





CC HMT  
CO  
CPRS  
GC AW

He

10 DOWNING STREET

*From the Private Secretary*

8 March 1982

Review of BR finances

Your Secretary of State sent to the Prime Minister a copy of his letter of 4 March to the Chief Secretary.

The Prime Minister suggests that the first sentence be shortened somewhat, and that the reference to "the policies stated by the Government" be omitted on the grounds that it is unduly restrictive. The opening clause would, then, be as follows:

"The object is to review the finances of the railway and associated operations in the light of the British Railways Board's statutory duties; the rising . . . "

I am sending a copy of this letter to John Kerr (H.M. Treasury), David Wright (Cabinet Office) and Gerry Spence (CPRS).

M. C. SCHOLAR

Anthony Mayer, Esq.,  
Department of Transport.

A

Prime Minister

5 March 1982

MR SCHOLAR

*This seems a good idea.*

*Agree?*

*MCS 5/3*

*Very good  
mt*

cc Mr Walters  
Mr Hoskyns  
Mr Vereker

REVIEW OF BR FINANCES

1. You asked whether we had any comments on the revised terms of reference for this review, as set out in Mr Howell's letter of 4 March.
  
2. We think the revision is an improvement. But the reference to "the policies stated by the Government" in the second and third lines could be restrictive since, as you know, earlier statements have implied a commitment to maintain the railway in broadly its present form. We therefore think it would be preferable to delete this reference. In fact the opening clause could be reduced to the following:  
  
X ( "The object is to review the finances of the railway and associated operations in the light of the British Railways Board's statutory duties; the rising . . . "
  
3. The deletion of references to stated policies and a slightly briefer reference to the statutes would be rather less restrictive, suggesting a more fundamental review.

ANDREW DUGUID

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JK JV  
AD



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

The Rt Hon Leon Brittan QC, MP  
Chief Secretary to the Treasury  
HM Treasury  
Parliament Street  
LONDON SW1

Andrew Dignid

As a last act pl wd;

4 March 1982

you offer advice on  
these words?

MUS 5/3

Dear Leon

REVIEW OF BR FINANCES

My minute to the Prime Minister of 1 March said that we would need revised terms of reference for the review of rail finance. The aim would be to bring out more clearly the issues we must now face in the light of the ASLEF dispute.

I would now propose the following terms of reference. I have underlined the changes to the original terms.

"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 of the public 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 short and long term effects on the Board's financial position of the recent industrial dispute; the Board's concern about the adequacy of expenditure on renewal of the assets of the railway; and the Board's plans for improving business results; and to identify possible changes in objectives that would help to secure an improvement in business results."

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I hope these amendments will make it clear that we are ready to consider seriously policy changes for BR rather than accept an ever-continuing increase in financial support.

I am copying this letter to the Prime Minister, the  
/ Chancellor of the Exchequer, Sir Robert Armstrong and  
Mr Ibbs.

*Yours ever*

*David*

DAVID HOWELL

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4 MAR 1982

