

CONFIDENTIAL

ce J.V.

Prime Minister

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MUS 22/12

PRIME MINISTER

SERPELL REVIEW OF BRITISH RAIL FINANCES

I have now received the advice of the Committee under Sir David Serpell. There is a majority report, and in addition a minority report by Mr Goldstein. I enclose a copy of each. — in attached folder

The majority report will be very unwelcome to Sir Peter Parker and the Railways Board. It finds no evidence of a backlog of maintenance, no case at present for an increase in investment - though more will be needed in the second half of the decade - no case for a high investment strategy, substantial room for economies over the next 5 years, significant deficiencies in the engineering functions and in the Board's planning system so far. It strongly commends the direction of the management changes which Sir Peter Parker, and the Chief Executive Bob Reid have introduced this year, and does not discuss how to overcome the institutional and industrial obstructions to change. For the longer term, the Committee set out a wide range of options on extent and level of rail services.

Mr Goldstein's minority report supports the findings on engineering but dissents from the majority on a number of specific points leading him to conclude that the early savings are unlikely. He argues that the fundamental issue is to decide long-term policy on network size and he would have preferred a deeper examination of alternatives.

Although it is not helpful to have a dissenting report, the Committee's advice does give us a substantial base on which to establish robust and effective policies towards the railway, but

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there will obviously be very large problems in carrying them through. As soon as I have studied these reports further I will set out for you my views on the central policy issues, and how we need to deal with them.

But, immediately, there will be intense speculation and risk of leaks. So far the temperature has been kept low, and the reports which were circulating over the minority view have not surfaced. We must now act promptly to limit as far as possible the risk of strong speculation of "Beeching cuts" and particularly of any leak out of context of some of the options discussed.

I propose to proceed as follows.

First, I will at once inform Parliament by a written answer that I have received the Committee's advice, that there is a majority and a minority report, that in accordance with their terms of reference the Committee have set out a wide range of options but make no recommendations, and that we are now studying the reports.

Second I propose to limit very tightly over the next few days the number of copies in circulation. I cannot defer giving Sir Peter Parker the opportunity to read the reports but I am giving him copies only on the strict understanding that at this stage he will consult only one or two colleagues. I am sending a copy of this minute and a copy of the majority report to the Chancellor of the Exchequer (I shall send him a copy of Mr Goldstein's report as soon as further copies are available), but I am not sending copies to other colleagues, nor will copies go to officials in other Departments. In my own Department the circulation is very tightly limited.

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Next week I propose to put out a press statement saying that the reports will be published as soon as possible in January, subject only to any deletions for commercial confidentiality, and that the Government will make a full statement when they have considered the report and consulted the Railways Board. With this statement next week I would publish the text of the conclusions section of the majority report on pages 164 and 165, and Mr Goldstein's conclusions on pages 46-48 of his report. That is I think as much as we can do to limit the damage from selective leaks, although there will continue to be speculation. I will then aim at publication as soon as possible.

D4.
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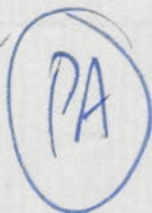
DAVID HOWELL

22 December 1982

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VITAL

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10 DOWNING STREET

Michael

Ferdie & I have now finished reading Sappell, & will let you have a note for the PR to read with the report over Christmas. But we are now totally convinced we must stop David Howell from putting out his press statement with the conclusions next week. The conclusions are not a summary, just concluding remarks, & would give the impression that the report is nothing like as critical of BR as it really is — and would make it easy for BR to argue that all is well.

Furthermore we think this piece we have been sold to David Howell by the BR/Sappell/Palmer railway lobby, & is consistent with all the leaks implying that only Goldstein's minority report is critical.

J. 24/12



cc HMT
CO

cc F. Mount

10 DOWNING STREET

From the Private Secretary

24 December 1982

Serpell Report

The Prime Minister has been thinking further about the publication of the Serpell Report on British Rail.

She thinks that it would be a mistake to publish only the conclusions of the Report in advance of publication of the full Report. Mrs. Thatcher considers that publication of the conclusions on their own might well give a misleading impression of the Report as a whole, and she would much prefer that your Secretary of State speeds up the publication of the full Report, and meanwhile that nothing further is said by Departments about the content of the Report.

I am sending a copy of this letter to Margaret O'Mara (H.M. Treasury) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Richard Bird, Esq.,
Department of Transport.

CONFIDENTIAL

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PRIME MINISTER

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SERPELL Report

This is just to let you know that Mr. Howell has abandoned his plans to issue a summary of the conclusions of the SERPELL Report, and will instead speed up publication of the Report as a whole. The Report has now been circulated to the British Railways Board (at the insistence of Sir Peter Parker) and Mr. Howell would now like to circulate the Report on a strictly confidential basis to Cabinet.

Agreed

ms

TF.

29 December, 1982.

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CE J.V.
Mr. Schuler (or.)
31/12

Treasury Chambers, Parliament Street, SW1P 3AG

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

30 December 1982

2 Days,

SERPELL REVIEW OF BRITISH RAIL FINANCES

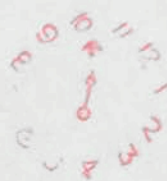
I very much agree with the Prime Minister's views on the publication of the Serpell Report on British Rail. To publish the conclusions in advance of the full Report would run the very risks we wish to avoid. Taken out of context they would stimulate premature speculation about the future size and shape of the railways that would be unhelpful at this stage. The best course would be to speed up publication of the full Report.

In the meantime we must get on urgently with our consideration of the central policy issues. Our officials will need to work closely together on the preparation of the necessary background papers. They need spend little time on preparing a detailed critique of the Report's main conclusions but should concentrate on the wider issues they raise for example on network size and commuter fares. They will also need to cover some of the more radical options that have been floated elsewhere including for example regionalisation and privatisation. I think we should aim at a Ministerial discussion as soon as possible in January to consider our response to the Report on its publication. I am sending a copy of this letter to the Prime Minister and to Sir Robert Armstrong.

LEON BRITTAN

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Transp: BR Pol A 6



31 DEC 1982