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Prime Minister (2)

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POLICY UNIT

PRIME MINISTER

SERPELL REVIEW

The report has not turned out quite as badly for us as it might.

The majority are critical of BR on almost every area. Alfred Goldstein's minority report in effect rebukes his colleagues for their failure to follow through the logic of their criticisms.

Contrary to what David Howell says, it is helpful to have a minority report which says the performance of BR is even worse than the majority says it is.

It is vital that we publish the whole report at the same time. We must dispel the impression given in today's newspapers that the majority report is "mild" and "wishy-washy".

Its conclusions are mild and wishy-washy. Its criticisms are not. I have listed some of the most striking criticisms in the attached note to give you some idea of the overall picture.

BRB and the BRB Lobby in the Department of Transport are clinging on to the conclusions like drowning men. One is tempted to say that honourable men who had been criticised so comprehensively - and by a former colleague and sympathiser, like David Serpell - might, in a better world, feel like resigning en bloc.

The essential point which Alfred Goldstein makes in his minority report is that the terms of reference required the team to report on 'options for alternative policies ... over the next 20 years'. The majority were extremely reluctant to address this task. They spent most of the time examining the railways on the basis of the BR plan - although they quickly realised that this plan was totally unsound. Therefore, their conclusion that BR might, just conceivably, be able to carry on with the existing level of subsidy if certain improvements were made is equally unsound.

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The subsidy is now about £1 billion a year and it will go on rising unless BR takes a radical new direction under new leadership.

The Next Steps

David Howell will be bringing forward a paper in the New Year with his views. But I think it is worth thinking ahead now as to how we might proceed.

1. We have to take a view on the reports once they are published. We cannot just ignore the slashing criticisms of BRB. We cannot fudge or delay until after the election.
2. We have no time for primary legislation, and so large-scale reform of the BRB structure is ruled out before the election. We must work with the structure as it is.
3. This points to changing the Board: its Chairman and enough of its members to give the new Chairman a critical mass of support. Alfred Goldstein makes the point that if we really wish to change the direction of British Rail, we must nominate fresh executive as well as non-executive directors.
4. We should then have to give the new Board fresh objectives to replace the 1974 Direction which instructed the Board to "provide a public service" which is generally comparable with that provided at present" - and which is costing such huge sums of public money. The more modest ambition which the new Direction could encompass would be something like: "to run an efficient railway service which would provide full value for money to the public and to endeavour to halve the level of Government support over the next five years".
5. In answering the question "which lines are you going to close?" the Minister could make the following points:
 - (i) it would be for British Rail to decide what services to provide. The more efficiently they run existing services, the less need to close lines. We would certainly not endorse any particular network option - not least since these are based on assumptions of only minimal increases in efficiency.

We should also point out that not even Sir Peter Parker envisages the existing network as continuing indefinitely without alteration;

(ii) the existing closure procedures would continue in force but with the addition of

(iii) a Government guarantee that alternative bus services would be provided of comparable standard, subsidised if need be, as outlined in Chapter 16. Every effort would be made to ensure that, unlike in the Beeching era, an alternative use was found for any line which British Rail no longer wished to operate.-. either by selling it to a private operator or by converting it to road or by preserving it as a bridle way.

6. I do not under-estimate the political difficulties of adopting even this approach. It would of course have been much easier if we had not had this report facing us at this stage in the Parliament. But if we wish to face reality and to maintain our reputation - both with the voters and with the markets - as a Government which does face reality, then we cannot shirk this challenge.

FERDINAND MOUNT

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THE MAJORITY REPORT'S CRITICISMS OF BR

Inter-City - Excessive optimism of BR's forecasts (2.11).

London and South-East Services - Uneconomic pricing of season tickets (2.18).

Provincial Services - Likelihood of continuing subsidy of £450 million a year on existing size of level and service. Lack of specific objectives devised by Board. Very poor value for public money (2.31-2).

Saver Fares - Unrealistically high discounts and lack of co-ordination between Sector Directors and Regional Managers - a recurring theme, makes nonsense of the majority's praise for the sector system (5.4-5).

Track Renewal - Scope for vast savings of up to 40% a year (6.15).

Track Maintenance - Scope for savings of up to 20% a year (6.17).

Mechanical and Electrical Engineering - Strong criticisms of the "engineer-led" attitude of BR - too many designs for locomotives and rolling stock, obsession with Advanced Passenger Train, muddled efforts to replace the DMU fleet (6.39-41).

BREL's Role - Inertia and inefficiency of a monopoly supplier. "The last occasion on which tenders were in fact sought for the supply of the Board's rolling stock needs was in 1974 ... BRB is the only major railway in the world, other than India, which manufactures its own stock." (7.4-6) BREL now earns less than 10% of its revenue from customers outside British Rail. (7.15). Options for change are listed at 7.30.

Investment - Serpell concludes that the Board has over-estimated the need to increase rail investment (8.9-10).

Electrification - BRB won't be able to meet the Government's criterion for main line electrification (8.14).

High Investment Railway - In 8.15-21, BRB's case is destroyed. Over-optimism, lack of clear objectives and obsession with fancy projects like the APT are the main criticisms.

Engineering Data - Records of work done, time spent and unit costs appear to be pitifully thin (9.17).

Ministerial Interference and Consistency - The conflict between political pressure and economic aims is summarised in 10.9.

BRB Planning - This is torn to shreds in 12.2-6. "Railspeak" can scarcely be described as planning at all.

Longer-term Options - These occupy only a fraction of the report, although it was on options alone that the team was asked to report. The options were in fact reluctantly included only after strong representation by Alfred Goldstein. They make it absolutely clear that "if substantial reductions in the cost of the railway to the tax-payer are required, major changes in the size of the railway will be necessary". The most useful diagram is 14.1 on page 156 which shows how the reduction of route mileage sharply reduces the Government subsidy needed.

Bus Substitution - Well described in Chapter 16 which points out the mistakes made during the Beeching closures (16.4).

The Minority Report - This closely argued piece of work draws the conclusions that an unbiased reader would naturally draw from the criticisms made in the majority report. I would commend it as a general guide for the new management team at British Rail.