

BM

File



bc: Mr. Watters  
Mr. Mount  
Mr. Ingham  
RTA

10 DOWNING STREET

From the Private Secretary

17 January, 1983

Dear Richard,

SERPELL REPORT ON RAILWAY FINANCES

The Prime Minister has now studied the draft statement on the Serpell Committee Report which you circulated under cover of your letter to me of 14 January.

Mrs. Thatcher thinks that the draft statement is, in its present form, too anodyne. She would prefer the statement to be more on the lines of your Secretary of State's minute to her of 12 January, highlighting four points:

- the cost savings to be achieved;
- the necessary management improvements;
- the Serpell Committee's conclusion that there is no case for a major new programme of capital investment in the railways; and that
- the system is not at risk from lack of maintenance with present levels of support.

The Prime Minister has also commented that the second sentence of paragraph 7 might better read "The Report confirms the view that the way to keep fares down is by cutting costs; and that there is ample scope for cuts".

In summary, the Prime Minister would like the draft statement more fully to reflect the substantial criticisms of BR which appear in the Majority Report; to indicate that decisions on action flowing from the Report to improve BR's management arrangements, to reduce costs, and to get rid of restrictive practices should be taken immediately; and that longer-term decisions will have to wait upon the further work required to turn the Report's broad illustrative options into firm alternative policy proposals.

Finally, the Prime Minister has suggested a revised version of paragraphs 8-10 of the statement. I have set this out in the attachment to this letter.

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I am sending copies of this letter to the Private Secretaries to the Chief Secretary and the Secretaries of State for Scotland and Wales.

*Yours sincerely,*

*Michael Scholer*

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Richard Bird, Esq.,  
Department of Transport

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- . "The Committee have given close attention to the opportunities for considerable improvements in efficiency and the reduction of costs over the next five years. They have drawn attention to particular areas where present shortcomings need to be remedied. These are matters for the Board to deal with."

9. "I welcome the efforts by Sir Peter Parker and his Board to improve their management arrangements, to reduce costs and to get rid of restrictive practices. The reports now published show the very considerable extent of those tasks. I have made it clear to Sir Peter that I regard achievement of these improvements as the top priority for action flowing from the Committee's reports. Vigorous and immediate action by the Board will have my full support."

10. "The Committee have not made recommendations about longer-term policies for the railways, but have set out broad illustrative options for consideration. It would be quite wrong to respond with snap judgements or closed minds to any of these ranges of options, whether they concern track and signalling, rolling stock, network size or fares structure. The Committee makes it clear that more work needs to be done to translate these illustrations into policy options. Indeed, it would be foolish to come to settled conclusions on any one of these questions in isolation. Other questions - such as the relationship between road and rail services and subsidies for public transport generally, the introduction of private capital and the relationship between British Rail and the private sector - also remain to be determined."

1. "The public have the right to know more clearly what value for money they are getting from different railway services and how funds for public transport can best be used. We now have the opportunity for informed discussion about the sort of railway that we want and are prepared to pay for. It is on this basis that the Government now proposes to reach lasting decisions which will be in the best interests of the nation."

CONFIDENTIAL

WUP  
JV A



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

*ms*

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

14 January 1983

*Dear Michael,*

In his minute of 12 January to the Prime Minister about the handling of the Serpell Committee reports on Rail Finances, my Secretary of State said that he would be circulating the text of the Parliamentary statement he proposed to make to coincide with publication of the reports.

A first draft of this statement is attached. He will be doing further work on this over the weekend, particularly the section in square brackets which will be finalised when he has seen an advance text of the statement British Rail intend to make on publication. The final version of the statement will be circulated at the beginning of next week.

My Secretary of State proposes to publish the reports and make the statement on Wednesday afternoon (he will also be answering oral questions that day). He understands that this timing is acceptable to the Lord President.

I am copying this to Private Secretaries to members of the Cabinet and the Chief Whip and to Richard Hatfield in Sir Robert Armstrong's office.

*Yours sincerely,*

*Richard Bird*

R. BIRD  
Private Secretary

CONFIDENTIAL



SERPELL REPORT: DRAFT STATEMENT

1. With permission Mr Speaker I will make a statement on the Serpell Committee on railway finances.
2. I am publishing today the full reports by the Committee and copies are now available in the Vote Office. The Committee was appointed on 5 May last year after the British Railways Board had proposed a review. Their work was delivered to me immediately before Christmas, as I informed the House on 23 December, and copies were sent forthwith to Sir Peter Parker. There is a majority report by Sir David Serpell, Mr Bond and Mr Butler and a minority report by Mr Goldstein.
3. The Committee were asked to examine and report on the shorter term financial prospects of the railway and on the options for the longer term. The majority document fully reflects this. The minority document by Mr Goldstein gives more attention to the longer term, and places a different emphasis on certain aspects. ~~~~~
4. The Government is grateful to the Committee for their hard work and speedy efforts. The reports explore the broadest range of issues about our railways of any inquiry since nationalisation. I should particularly like to take this occasion to pay tribute to Sir David Serpell who has discharged a most difficult task with great ability and integrity.
5. The railway performs major transport functions. It also requires major support from public funds which this year will exceed £900m. There has been growing concern about the state of the railways, their cost and their future. These reports now gives us a basis for decisions and for action.

*what aspects*

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6. The Committee does not support the view that yet larger injections of public funds are needed to preclude extensive closures, or that large parts of the system are at risk from lack of maintenance with present levels of support.

7. Nor do the reports recommend huge rises in commuter fares, as some wild speculation has suggested. The reports confirm the ~~Government's~~ view that the ~~best~~ way to keep fares down is to keep costs down. - *Amsh says, cutting costs*

8. The Committee has given close attention to the opportunities for further improvements in efficiency over the next 5 years. They have drawn attention to particular areas where shortcomings need to be remedied. These are matters for the Board to deal with. As the House knows, Sir Peter Parker and his Board have fought hard with our support, in trying to secure necessary changes; in improving their management arrangements; reducing costs and getting rid of restrictive practices. I welcome the Board's efforts in these very difficult fields. The reports now published show the extent of the tasks that still remain and I have made clear to the Chairman of the Board that I regard achievement of these improvements as the top priority for action flowing from the Committee's reports. Vigorous action by the Board will have my full support.

9. The Committee have given their conclusions about these shorter term issues. In accordance with their terms of reference, they have not made recommendations about longer term policies, but have set out possibilities for consideration. It would be quite wrong to respond to them with snap judgements or closed minds. The public have the right to know more clearly what value for money they are getting from different railway services and how funds for public transport can best be used. The network cuts described in the Committee's reports are purely illustrations of these issues. In no sense are they considered plans for proposals for changes that would be desirable let alone necessary. (No plans for closures on any of these scales exist or are before us.)

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10. What these reports do is give an opportunity to end the very sterile debate of the past, which has been harmful to the interests of travellers, of taxpayers and of the industry itself. We now have the opportunity for informed discussion about the sort of modern and efficient railway that we want and are prepared to pay for. It is on this basis that the Government now proposes to reach lasting decisions which will sustain a good railway service to the nation.

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CONFIDENTIAL



PA  
 Prime Minister

MR SCHOLAR

cc Mr Mount  
 Mr Ingham

The revised Serpell statement  
 is attached. Both Fendie and I think  
 it much improved and now in line with  
 your views. Agree to it?

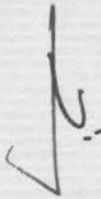
CABINET: THE SERPELL REPORT

MCS 19/1

It seems to us possible that one of the Prime Minister's colleagues may seek to raise the Government's response to the Serpell Report under the industrial relations item in Cabinet tomorrow. The Secretary of State for Scotland, in particular, may seek assurances in line with his recent letter. In case this should happen, we suggest that the Prime Minister should have with her the revised version of Mr Howell's statement, which will presumably be circulated tonight. In response to any suggestion that the Government should provide assurances that it has no intention of making closures or of asking BR massively to increase commuter fares, the Prime Minister could say:

(i) The statement deals with both the size of the network and the fares structure in a carefully considered manner, by putting them both firmly in the context of the wider debate that must now take place about the sort of railway that we want and are prepared to pay for. There is no implication in the statement that the Government has particular intentions or has made particular decisions.

(ii) The whole purpose of the statement is to keep the Government's options open, and it would be quite wrong to deal with a report of this importance by closing any of the avenues which might eventually lead to reduced losses by BR.

  
19 January 1983



DEPARTMENT OF TRANSPORT  
2 MARSHAM STREET LONDON SW1P 3EB

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JV

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

**CONFIDENTIAL**

19 January 1983

*Dear Michael,*

SERPELL REPORTS

A first draft of my Secretary of State's Commons statement on the Serpell reports on railway finance was circulated on 14 January. I now enclose the final version. This incorporates comments made by the Prime Minister and others on the earlier draft. The Statement will now be made on Thursday 20 January, and the reports will be published the same afternoon. No embargoed copies will be issued.

I am copying this to private Secretaries to Members of the Cabinet, the Chief Whip and to Richard Hatfield.

*Yours sincerely,*

*Richard Bird*

RICHARD BIRD  
Private Secretary



## SERPELL REPORT: STATEMENT

1. With permission Mr Speaker I will make a statement on the Serpell Committee on railway finances.
2. I am publishing today the full reports by the Committee and copies are now available in the Vote Office. The Committee was appointed on 5 May last year after the British Railways Board had proposed a review. Their work was delivered to me immediately before Christmas, as I informed the House on 23 December, and copies were sent forthwith to Sir Peter Parker. There is a majority report by Sir David Serpell, Mr Bond and Mr Butler and a minority report by Mr Goldstein.
3. The Committee were asked to examine and report on the shorter term financial prospects of the railway and on the options for the longer term. The majority document fully reflects this. The minority document by Mr Goldstein gives more attention to the longer term, and places a different emphasis on certain aspects.
4. The Government is grateful to the Committee for their hard work and speedy efforts. The reports explore the broadest range of issues about our railways of any inquiry since nationalisation. I should particularly like to take this occasion to pay tribute to Sir David Serpell who has discharged a most difficult task with great ability and integrity.
5. The railway performs major transport functions. It also requires major support from public funds which this year will exceed £900m. There has been growing concern about the state of the railways, their cost and their future. These reports now give us a basis for decisions and for action.
6. The Committee does not support the view that yet larger injections of public funds are needed to preclude extensive closures, or that large parts of the system are at risk from lack of maintenance with present levels of support. No major backlog of renewals was



demonstrated to the Committee's satisfaction. The case for a high investment strategy was not sustained.

7. Nor do the reports recommend huge rises in commuter fares, as some wild speculation has suggested. The reports confirm the view that the way to keep fares down is by cutting costs; and they point to large scope for that.

8. The Committee have given close attention to the opportunities for considerable improvements in efficiency and the reduction of costs over the next five years. They have drawn attention to particular areas where present shortcomings need to be remedied.

9. I welcome the efforts by Sir Peter Parker and his Board to improve their management arrangements, to reduce costs and to get rid of restrictive practices. The reports now published show the very considerable extent of those tasks. I have made it clear to Sir Peter that I regard achievement of these improvements as the top priority for action flowing from the Committee's reports. Vigorous and immediate action by the Board will have my full support.

10. The Committee have not made recommendations about longer-term policies for the railways, but have set out broad illustrative options for consideration. It would be quite wrong to respond with snap judgements or closed minds to any of these ranges of options, whether they concern track and signalling, rolling stock, network size or fare structure, or new objectives for the Railways Board. The Committee makes it clear that more work needs to be done to translate these illustrations into policy options. Indeed, it would be foolish to come to settled conclusions on any one of these questions in isolation. Other questions - such as the relationship between road and rail services and subsidies for public transport generally, the introduction of private capital and the relationship between British Rail and the private sector - also remain to be determined.

11. The public have the right to know more clearly what value for money they are getting from different railway services and



how funds for public transport can best be used. We now have the opportunity for informed discussion about the sort of railway that we want and are prepared to pay for. It is on this basis that the Government now proposes to reach lasting decisions which will be in the best interests of the nation.

~~cc J.V.~~

Prime Minister

Written before

Treasury Chambers, Parliament Street, SW1P 3AG | communicated

your views.

MS 18/1

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

18 January 1983

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## SERPELL REPORT ON RAILWAY FINANCES

I have seen the draft statement (circulated by your office on 14 January) which you propose to make on Wednesday when the Serpell Reports are published. Overall this is very much on the lines I would support, in face of the difficulties caused by the extensive and at times misplaced public comment of recent weeks. I understand that you will be taking a further detailed look at the drafting yourself so I will confine my comments at this stage to substance.

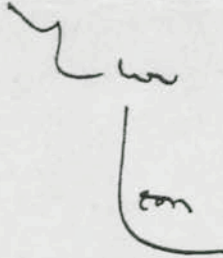
Our prime objectives must be to keep both reports in the public eye without any suggestion that one carries greater weight than the other; to pursue the maximum possible savings in the short term; and to keep open the debate on network size. I have seen George Younger's letter of 14 January and I have to say that I see no prospect of keeping the debate open on the basis he suggests of positively reaffirming a policy of no major closures. No doubt the sensitivities on this issue are as great in Scotland as they are elsewhere. But we shall simply leave ourselves where we were before Serpell if we cannot maintain a non-committal stance.

For much the same reasons, I think it is entirely right that your statement says very little about the many issues apart from network size raised by Serpell, on all of which further time is needed to reach a considered view. It will of course be equally important, despite the very considerable pressures which I know you will face, that you are entirely non-committal in answering the supplementaries which will be raised on most of these issues.

There is one specific amendment I should like to see in the statement. Paragraph 8 as at present drafted, and in particular the third sentence, carries a strong implication that it is a sufficient next step in the process of securing short term economies for the Board to get on with it. I wish that this were the case.

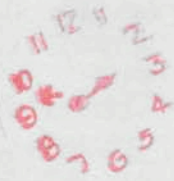
But the Board's past record and their known, hostile, attitude to Serpell's findings leaves me in no doubt we shall need to give the Board a strong steer on what constitutes acceptable progress. For these reasons I should be grateful if you could delete the third sentence of this paragraph. More generally, until we have reached a considered view over the coming weeks about the position of the Board itself, it seems to me that we should take care not to link our fortunes too closely with theirs.

I am copying this letter to Cabinet colleagues, the Chief Whip and to Sir Robert Armstrong.



LEON BRITTAN

18 JAN 1953



Transpt: Bitch Rent  
PTB



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

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

Prime Minister (2)

We will get a  
revised draft statement

Immunus.  
18 January 1983

ML 18/1

Dear David,

SERPELL REVIEW ON RAILWAY FINANCES

My minute to you of 14 January crossed with your Private Secretary's letter circulating the first full draft of your proposed statement. We have of course subsequently spoken.

It is a little difficult to reconcile my earlier comments with your present draft, mainly because you separate your comments on possible closure at paragraphs 6 and 9.

I will not therefore comment on your draft. But I do think, for the reasons already stated, that you need to be more clear and robust in confirming that there are no plans for closures on the lines of the Serpell illustrations - and, as I have suggested, that there are plenty of other avenues for savings to be explored first.

I am not saying that the present network must be regarded as sacrosanct. Nor do I think, in any case, that there is any risk of debate being stifled once the Serpell Report is published. But we surely must avoid the impression that any eventual closures will be other than an undesirable necessity. It is therefore surely right to stand by the Government's present position that we do not want to see major cuts in the network.

I really do fear a very strong public reaction against the kind of statement you propose, and it would do us great political harm.



I have now seen the Prime Minister's comments on your draft statement and these do not seem incompatible with what I am suggesting. I return to my earlier point that Serpell clearly identifies great opportunities for savings without the need for us to get caught at this stage on the political hook of closures.

I am copying this letter to the Prime Minister, to other Cabinet colleagues, the Chief Whip, Sir Robert Armstrong and John Sparrow.

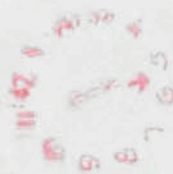
Yours truly,

George

Transport  
BR Fares, PtG

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18 JAN 1987



Transport



SERPELL REPORT - BRIEFING FOR PMs QUESTIONS

(ASSUMING REPORT WILL BE PUBLISHED WEDNESDAY  
19 JANUARY)

My RHF said on 23 December last that he had received the Serpell Committee's advice in the form of two reports. My RHF and the Chairman of the Railways Board have been studying them urgently. My RHF intends to publish the reports very shortly and the proper time to comment on these will be when they have been fully and carefully studied. I hope a thorough and well considered public debate will follow. That is in the best interests of both travellers and taxpayers alike.

HOUSE OF COMMONS

Mr John Townend (Con - Bridlington):

171 To ask the Secretary of State for Transport, if he has now received the Report of Sir David Serpell's Committee on the Review of Rail Finances; and if he will make a statement.

MR DAVID HOWELL

I have now received the Committee's advice. There is a majority report, and in addition a minority report by Mr Goldstein. In accordance with the terms of reference, the Committee investigated fully the improvements in efficiency which would secure better financial results, and have illustrated a wide range of options for alternative longer-term policies, but have not made recommendations. The Chairman of the Railways Board and I will now be studying the reports urgently.

Transport CC JV



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Prime Minister

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MLS 14/1

CONFIDENTIAL

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

MW

14 January 1983

Dear Secretary of State,

SERPELL REPORT ON RAILWAY FINANCES

Thank you for copying to me your minute of 12 January to the Prime Minister.

It is clear that when the report is published there will be very considerable controversy. As you recognise the issue of possible rail closures is very sensitive indeed and I am not sure that what you propose to say on the subject is well advised. Surely our present position is right, that we do not wish to see major cuts in the network. I think we can perfectly well have the public debate you envisage without giving any reason to suppose that the Government itself has changed its position. Also, I think we must hold that line until after the election, there is no doubt that the continuation of their rail services will be seen by many rural areas as a touchstone of our commitment to them and to their way of life. These areas, not just in Scotland, are the main sources of our support and concern about rail closures would undermine that support to a very considerable extent.

In any case, the main conclusion I take from the Serpell Report is that abundant opportunity exists for savings and for a more efficient operation, without reducing the network. It seems to me right that these other opportunities should be tackled first. That would be a politically safer stance to adopt but would also be perfectly justifiable in terms of what the Report says.

I therefore suggest that you could dwell in your statement on the other opportunities for savings and say something much briefer and less dangerous about closures - perhaps on the lines of the attached.

I look forward to seeing a draft of the full statement in due course.

I am copying this minute to the Prime Minister, to other Cabinet colleagues, the Chief Whip, Sir Robert Armstrong and John Sparrow.

Yours sincerely

A.S. White.

Approved by the Secretary of State  
and signed in his absence

These reports raise the broadest range of issues about our railways since nationalisation and it would be absurd to respond with snap judgements.

The first point to make is that the Committee did not agree that major parts of the network are now at risk from lack of maintenance, as has repeatedly been asserted. Nor does it accept that large increases in resources are needed immediately to prevent extensive closures.

The network cuts described in the report are only illustrations. In no sense are they considered plans or recommendations from the Committee.

The Government's position remains that we have no wish to see major cuts in the network. No plans for closure related in any way to the illustrations in the report exist or are before us. What we must now do is to establish the facts and hear the arguments. Social as well as financial factors will have to be considered. There must be full discussion of any changes in Parliament and in public debate so that the deep questions raised by the reports can be properly considered.