

SUBJECT

as Martin



10 DOWNING STREET

From the Private Secretary

4 March 1983

SERPELL AND THE FUTURE OF THE RAILWAYS

The Prime Minister held a meeting about the Serpell Report and future railways policy yesterday evening. The Ministers who were present were, the Chancellor of the Exchequer, the Chief Secretary, your Secretary of State, the Secretaries of State for Scotland, Wales and Employment. Sir Robert Armstrong, Mr. John Sparrow and Mr. Peter Gregson were also present. The papers before the meeting were minutes from your Secretary of State dated 31 January and 17 February; from the Chancellor of the Exchequer dated 4 February; and Mr. Sparrow's minute of 4 February.

Your Secretary of State said there were four issues on which decisions were required. First, the immediate task of containing and reducing BR's costs, and the ever-increasing Exchequer support to the railways; the future chairmanship of BR, and the brief which should be given to the next Chairman; the longer-term structure of the industry; and how the Government should go about its work in reaching decisions on these matters.

In discussion of the short-term issues it was generally agreed that action should be taken immediately on the urgent and identifiable measures suggested in the Serpell Report, and in particular the proposed cost savings. Some of these had been suggested in general terms by Sir Peter Parker, and it was essential to involve him in the process of implementing these changes. Your Secretary of State would be thinking further about the future chairmanship. The objectives for the new Chairman would become clearer as the Government's consideration of the longer-term policy issues progressed. The brief for the incoming Chairman would have to take account of the fact that Ministers were not yet ready to take final decisions about railway policy in the longer term and would therefore need to preserve the Government's freedom of action in that respect while applying maximum pressure for the attainment of the Government's objectives in the short term.

On the longer-term issues, it was suggested that the objectives should not be cast in terms of a particular network size, linked though that was with the crucial issues of cost and manpower control. A tidy and simple structural blueprint would probably be impracticable and undesirable; it would be useful to distinguish between national inter-city services on the one hand

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and local services on the other; different solutions might be appropriate for different regions and for particular services within those regions. The emphasis should be as far as possible on encouraging private sector initiatives where these appeared to be realistic. Separation of responsibility for track and signalling on the one hand and the operation of services on the other (for example on the model of the Pullman service or existing private enterprise rail freight services) might sometimes be appropriate. It was desirable to try and encourage local decisions about the best form of transport to meet local needs. It would however be necessary to avoid the problems which had been encountered with the PTE concept, in particular the politicisation of transport decisions and the increased pressure for spending by local authorities which might lead only to rate increases or pressure for more grant from central Government. It might be that in some of the new localised structures, local choices would have to be made between different modes of transport. In others, like the Cambrian coastline where no parallel road system existed, no such choice might be available. In other cases again there might be experiment, always within the strict limitations imposed by safety, with different and more cost effective modes of rail transport; for example with small light-weight units. Elsewhere there might be scope for experimentation through converting existing rail rights of way into bus-ways or lorry-ways. It was pointed out that change in the direction envisaged would mean abandoning the policy decision which laid upon BR the duty to maintain services at the 1974 level. This policy change, however, could not be made until decisions on these longer-term options for restructuring the railways could be taken and until something could be put in place of the 1974-based objective.

Summing up the discussion the Prime Minister said that the Secretary of the Cabinet would arrange for an Official Group to be set up under the Department of Transport's chairmanship to consider the issues of railway policy in the longer-term in the light of the Serpell and Goldstein reports and the ideas set out in paragraphs 16 and 17 of the Secretary of State for Transport's minute of 17 February. The Group should take account of the suggestions made in the discussion, in particular the wish to promote innovation and diversity, within a cost and manpower constraint, and to devise different solutions for differing local circumstances across the country.

The Group should also look at possible changes to the grant system which would be designed to apply maximum pressure to reduce and control costs. The Group was not however expected to reach conclusions about the closure of any part or parts of the network or that the network should be maintained at its present size. Those options remained open for consideration by Ministers in due course on the basis that had already been made clear publicly by the Government in its comments on the Serpell Report. The Group should prepare a report setting out a range of possible approaches for discussion by Ministers. The work would inevitably take a considerable time.

Appropriate measures would need to be taken to ensure that the Group's papers and discussions were handled on a strictly "need to know" basis. She could reconvene this Group of Ministers for discussion of the Official Group's report in due course.

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Meanwhile the Secretary of State for Transport should press ahead as quickly as possible with the BRB to secure the short term savings identified by the Serpell Committee, and should report progress to his Ministerial colleagues. The Secretary of State for Transport should also prepare in due course, in consultation with Treasury Ministers and the Central Policy Review Staff, a brief for the incoming Chairman on the lines indicated in the discussion.

I am sending a copy of this letter to Johh Kerr (HM Treasury), John Gieve (Chief Secretary's Office), Muir Russell (Scottish Office), Adam Peat (Welsh Office), Barnaby Shaw (Department of Employment), Richard Hatfield (Cabinet Office), Gerry Spence (CPRS) and Peter Gregson (Cabinet Office). I would be grateful if you and they ensure that my letter is seen only by those specifically authorised by your Minister to do so.

M. C. SCHOLAR

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