York Student Think Tank

Is the Renationalisation of the Railways in the public interest?

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Assessment - The state of UK Rail

<u>Ticket Prices</u>

- How expensive are UK train journeys compared to continental counterparts? This varies significantly depending on distance and time, and many studies draw differing conclusions.
    - BBC Reality Check assessment in 2019 declared Britain has ‘some of the most expensive tickets in Europe if bought on the day of travel but some of the cheapest tickets if bought far enough in advance’ in an assessment of four European routes of roughly 250km (London to Sheffield, Paris to Dijon, Rome to Florence and Nuremberg to Kassel).
    - Assessment by bargain-hunting company Vouchercloud taken around the same time however (based on journeys from the capital city of approximately 50 miles) said that at 55p per mile, UK ticket prices are the most expensive in Europe.
    - Whilst other European countries have recently introduced measures to combat price rises (eg. Spain making short and medium distance tickets free and Germany introducing a ‘flat fee’ of 49 euros for a month of public transport), British prices continue to rise unabated, having risen 4% in 2022.
- What has the impact of privatisation been? A government assessment produced in 2016 found that average rail fares increased by 23.5% since 1995 (around the time of privatisation of British Rail) and the 2021 Department for Transport review says ‘fares have risen by 48% since 1997 in real terms’.
    - Rail journalist Mark Smith attributes the difference in advance vs same-day ticket prices to train companies selling cheap tickets in advance to fill out carriages so they can charge more for scarce seats closer to the day (see BBC articles).
    - Precise nature of how privatisation played out has led to higher ticket prices- British Rail was split into many regional companies who quickly merged and established regional monopolies who could charge whatever they wanted given the impossibility of switching to an alternative provider.

<u>Journey Times</u>

- A 2018 iNews article cites a 2014 European Commission report saying 90% of British trains are on time (arriving not more than ten minutes before or after their stated TOA), compared with 91% in France and 93% in Germany, but in recent years this figure has dropped to 87.7%.
    - In recent years turbulence has mounted: Guardian analysis shows that in 2022 ‘more than half’ of journeys from 15 major UK stations were delayed or disrupted, with the north and Midlands more affected than other regions.
- The 2022 New Statesman article quotes a 2011 McNulty report that found UK railways to be 40% more efficient than continental counterparts before privatisation and a 2009 survey that puts them at 40% less efficient after.
    - University of Leeds academic Tom Haines-Doran argues this is partly due to the incentives privatisation created: as train operators do not own trains themselves and therefore cannot improve services that way to gain an edge over competitors, they try

to drive down prices by reducing staff numbers, leading to chronic shortages and consequently inefficiencies and delays.
  - Existing infrastructure is stretched to capacity: massively increasing rail usage (128% increase as of 2019/20 since privatisation) has not been accompanied by equally ambitious infrastructure projects, so the maximum number of trains are always running and this ‘just-in-time’ system is extra vulnerable to mechanical failures.

<u>Funding and Ownership</u>

- Most recent data (April 2021 to March 2022) shows the rail industry received £13.3bn of government funding out of £21.3bn overall income, around 60% of total financing.
  - This figure has been significantly inflated by the impact of the pandemic- revenue from rail fares fell by £9bn from 2020 to 2021, so public investment was required to prevent collapse (government assumed both financial risk and revenue from rail firms, leading the ONS to declare that UK rail had ‘effectively been renationalised’).
  - Yet even beforehand public investment contributed a significant portion of rail income- in the 2019-2020 period £6.8bn was provided, around a third of funding, so taxpayers are still paying significant sums into the system without getting much of a say in how it operates.
- Prior to government takeover of railway franchises during the pandemic, the primary owners of UK rail were foreign state-owned companies: ScotRail was previously owned by the Dutch state-owned Nederlandse Spoorwegen (NS) and Northern was previously owned by Deutsche Bahn (the German national rail company).
  - How many lines (eg. Southeastern and LNER) are ‘de facto’ nationalised as the franchise operators were brought under government control- rail franchising was officially ended in 2020, with operators being brought onto ‘transitional contracts’ that enable the government to set tougher performance targets (effectively socialising risk whilst keeping revenues flowing to private operators).
  - Railways Act 1993 ‘prohibits any British publicly owned body from running train services’.

<u>Infrastructure</u>

- The World Economic Forum (WEF) ranking of nations by rail infrastructure quality (drawn from responses of 14,000 business leaders across the world) placed the UK 29th, behind many other European countries (France, Germany, Denmark etc.).
- 2022 Office of Rail and Road (ORR) assessment of rail infrastructure:
  - Electric vehicles make up 71% of UK rolling stock (compared to 18% diesel and 11% bi-mode or locomotive hauled).
  - Average age of rolling stock 16.9 years.
  - 2.2km of electrified track added to the network (46% of network electrified), 31,209 km total system length in Great Britain, 107 km of ‘high speed’ rail.
- International comparisons:
  - France: 28,241 km total system length as of 2018, 63% of the network electrified as of 2020 (joint public-private ownership).
  - China: 74.9% electrified as of 2020, since 2008 has built 37,900 km of high speed rail (almost fully nationalised).
- Widespread agreement on the need for decarbonisation in rail sector transport accounted for 34% of UK greenhouse gas emissions in 2019, and the plan is for improved rail infrastructure to reduce car use and therefore CO2 output (only 4-5% reduction in emissions from 1990 as of 2019).

- Left-wing campaigners have called for nationalization as part of a transport decarbonisation strategy, arguing that ownership change would enable steep fare reductions to make rail 'a genuinely viable alternative to road transport' and therefore cut emissions.
- Government recently declared Network Rail's electrification plan, the Traction Decarbonisation Network Strategy (TDNS), 'unaffordable' despite research demonstrating electrification saves significant sums (electric trains operate at 38% less cost per mile than diesel).

<u>Conditions- Staff and Passengers</u>

- Average rail salaries differ depending on role: average of £59k for train drivers, £31k for maintenance workers, £25k for ticket office staff etc.
    - Managerial salaries can be significantly higher, with middle managers earning between £55-£95k and directors making six figures
    - ONS survey of rail sector workers (divided into five roles: train and tram drivers, rail travel assistants, rail construction and maintenance operatives, rail transport operatives and rail and rolling stock builders and repairers) put average (median) salary at £43, 747.
- Working regulations and staff conditions: working week should not exceed 48 hours except in special circumstances cleared between worker and employer.
- Working conditions and pay are being squeezed (rail bosses recently tried to get workers to agree to a 2% pay rise, well below inflation, with a further 1% contingent on some accepting job cuts) and many have blamed this on the ownership model.
    - Union leaders have both pointed to massive rail operator profits that due to privatisation have been pocketed by shareholders- former RMT general secretary Mick Cash pointed to train company Go-Ahead distributing a £6.5mn profit to shareholders whilst cutting jobs and staff pay.
    - However would this be better in a nationalised system? NHS workers are experiencing the same reduction in standards.
- Safety: 2022 ORR report ranks Britain 8th lowest in Europe for passenger risk and 3rd for employee risk- ahead of France and Germany but behind Ireland, which is lowest for both (Irish rail is fully nationalised).
    - What has the impact of privatisation been? 2007 Imperial College research quoted by the BBC suggests that '150 people have probably lived who might have been expected to die in crashes had pre-privatisation trends continued'- argues that privatised operators are more conscious of safety as 'they are legally responsible' should accidents occur.
    - However some have argued that privatisation has caused, not prevented, accidents- same BBC article also quotes a rail analyst who blames the 2000 Hatfield crash, which killed 4 people, on 'lack of communication between the engineering company and Railtrack' that resulted from privatisation splitting up rail providers and engineers.
    - Furthermore, one could argue ownership model doesn't matter as technological development and increase in overall institutional knowledge have increased safety regardless- rail fatalities across all Europe's networks (with a variety of different ownership models) fell by roughly 5% a year from 1990 to 2019.

Case study – Berlin Central Train Station

The Options Young People and Commuters have from Berlin Central Station

The policy of rail nationalisation has revolutionised commuting travel for young people in Germany. Looking at a common commuter route from Berlin to Hamburg this study shows how easy it is for a young person to commute by the nationalised railway. The distance from Berlin to Hamburg is around 290 km and would take around 3 hrs by road. The key benefits of the rail option are:

- Physical time of Travel:
    - A young person is able to travel on the train from around 1hr and 45 minutes to 2 hours and 5 minutes at the absolute longest.
    - This is almost always a direct rail option meaning that for inexperienced travellers and those travelling on a tight timetable there is no need to factor in connections which complicate the overall journey.
- Costs of travel:
    - Assuming that the young person has a reasonably affordable car such as the Dacia Sandero 2 then during the 290 km journey they would expect to pay around 30.9 Euros in fuel for the journey. This is more than the train would cost and would take significantly longer.
    - The cost of the Rail option sits around 28 Euros but this does change depending on how far you book your ticket in advance as if you buy a ticket 2 weeks in advance the price drops to around 13 euros.
- Environmental benefits:
    - The aforementioned Dacia Sandero would produce 117 grams of carbon emissions per kilometre for the 290 km journey. This means that this option would emit 33.93Kg of carbon which is very much above what would be considered as unacceptable by the target set by the german government.
    - The train however produces under 1 gram of carbon emission due to the fact that the ICE trains used for such a journey are powered by 100% renewable energy. This makes the rail option even better as it is clearly more beneficial to the environment

In conclusion, it is clear to show that the Nationalised Rail service in Germany has beaten the UK rail system in every metric from time, cost and environmental impact. It is important that these figures are taken into the wider context of extensive nationalisation of public services in Germany but it is clear to see how their Rail System is of benefit to all citizens at a low cost.

History - Britain's relationship with publicly owned rail

- The first railway to be built with passenger travel in mind was the Liverpool & Manchester Railway opened in 1830. The steam-powered railway consisted of 50km (30 miles) of track (Britannica, 2019a), and proved to be more cost- and time-efficient when compared to road travel at the time (UK Parliament).
- The mid-to-late 19th century proved to be a time of rapid railway expansion in Britain, with the 378 miles of track opened between 1826 and 1834 becoming an estimated 13,500 miles by 1870, and reaching approximately 23,000 miles at its peak in 1914 (UK Parliament, no date; Britannica, 2019b; Erridge, 2018).
- These railways were operated by about 130 companies until 1914, when the wartime period saw the British Government take over management of rail under the Railway Executive Committee (The National Archives).
- After 1921, the first major railway act was introduced and 120 rail companies were incorporated into the 'Big Four' to retain some of the benefits of central organisation seen during the war, without nationalisation. These were: London, Midland and Scottish; London and Northern Eastern; and Southern Rail.
    - Due to government regulations, such as the minimum service requirements, the Big Four faced financial difficulties, allowing competition from the road sector to have a better chance of attracting public investment.
    - This, and the economic depression of the 1920s, led to the Government increasing railway funding to improve the conditions of UK rail. This funding proved to be effective as expansion of the railways saw new records being reached, such as the world steam train speed record at 126 mph in 1938 (standing to this day) (Rail.co.uk, 2014).
- After WWII broke out in 1939, the railways received praise for its contributions to the war effort in transporting goods. However, after the end of the war, rail safety had become a major concern.
    - Two major accidents occurred in the South and Northern rail of England within 2 days in October 1947.
    - This led to the post-war railway and the introduction of the 1947 act, which nationalised the UK railway once again. This was taken over by the British Transport Commission (BTC) and was given the name British railways. This was of the key nationalised industries implemented by Clements Attlee's Labour government.
- Moving into the 1950's, there was a modernisation plan to design Britain's railways from the 19th to the 20th century. This led to the closure of the steam trains and was the start of the movement towards diesel and electric power introduced in the sixties. This was the end of the pre 1948 pre network.
    - Doctor Richard Beechings' 1963 report envisioned the reshaping of British railways from the 19th and 20th century, and recommended the closure of a third passenger service: 4000 out of 7000 stations.
    - There was a serious lack of investment in the railway, with most closures happening at the end of the 1960s into the start of the 1970's. This then led to a movement in 70's as British rail began investing in high speed rail and by 1990 both coastal

    express routes, the east and west coast lines, had been electrified between London and central Scotland.

- During the 1990s, the Government sought to privatise British Railways as a continuation of Thatcherite policies from the decade prior. The 1992 Conservative Party manifesto saw a commitment to the franchising model known today.
    - Passenger operations were to be sold off to private companies through seven - later twenty-five, now seventeen - franchises, while infrastructure management was thought to remain the responsibility of the state - though, this idea was soon abandoned as infrastructure too was sold to a group of private companies, under the name Railtrack, in 1994 (Welsby, 1999). Freight and parcel services were sold entirely.
- Despite controversy around the privatisation of the UK's railways, the system had been mostly unaltered in the two decades following its inception. Of the few changes that had occurred, the collapse of Railtrack in 2001 may be the most prominent, with its assets and, later, maintenance duties being taken into government control under Network Rail.
- More recently, however, significant changes have been made to the privatised system. In perhaps the most noteworthy of these developments, the UK Government have utilised the Operator of Last Resort (OLR) public-sector operator (through DfT OLR Holdings) to take over a select few franchises from private control; these are: London North East Railway (since 2018), Northern Trains (since 2020), and Southeastern (since 2021) (Pocock, 2021).
- In 2021, the Welsh Government brought Wales' rail services into public ownership via Transport for Wales, and, in 2022, Scotland did the same under ScotRail (BBC News, 2020; BBC News, 2022).
- It should also be noted that during the COVID pandemic, from 2020 to 2022, the UK Government suspended, then abolished, the rail franchising policy, replacing the franchises with emergency agreements as a temporary measure (Department for Transport, 2020).
- In 2021, the Government announced plans to create a new, unified, public rail body - 'Great British Railways'. This agency would control timetables, fares, and infrastructure, in addition to handing out contracts to private train-operating companies (Department for Transport, 2021). Due to delays, further plans - and potential policy - will be taken up at the start of the new parliamentary session in May 2023 (Austin and Nevett, 2022).

Recommendation - A brighter Britain with a national rail

Currently, the UK is making monumental changes in the organisation of its railway structure in the Williams-Shapps Plan for Rail, a plan published in May 2021 which sets out government plans for rail management reform. This plan will, most significantly, do away with the franchise model of rail operation introduced during railways privatisation.

The Williams-Shapps Plan proposes several policy policy changes which we believe are a step in the right direction. These include:

- The integration of nationwide infrastructure ownership, fare revenue control, network planning, and (the majority of) fare and timetable management with the creation of 'Great British Rail', a new public body for rail management.
- Dissolving the franchise model of railway operation and having fare revenues go to the public sector.
- Standardised and simplified ticket pricing which encourages flexibility.

However, the plan still relies on public and private railway collaboration, a variation of the system we currently operate with. We believe that fully nationalising Britain's railways will better realise the goals of the Williams-Shapps Plan in making Britain's rail services "serve the passenger".

Therefore, the weaknesses of what we propose are:

- In the short run it would be a very costly and ambitious fiscal investment.
- Necessary infrastructure improvements to improve productivity would be very time consuming and expensive.
- Steep fare price reduction may result in excessive demand for services, overcrowding and overwhelming of the service.
- During nationalisation, commuter numbers were comparatively low, high levels of commuter usage must be obtained for nationalisation to be fiscally viable.
- Workers' conditions and pay may not necessarily improve under nationalisation, should the government not invest enough into public services.

Despite this, we propose full state ownership and control of:

- Railway infrastructure.
- Fare revenues.
- Fare pricing.
- Rail operating services.

This would allow a more streamlined approach to rail operation, which does not rely on communication between public and private services.

This would entail efficiency improvements in:

- Necessary infrastructure upgrades.
- Technological and operational upgrades.
- Achieving target goals, due to centralised interests, not competing public and private goals.

The benefits to budgetary goals would include:

- Lowering administrative costs previously found through external contractors and consultation.
- Re-investing private contracting fees for operations back into public services.
- Long run savings through the ownership of operation, rather than paying private fees.
- Reducing profit leakages by creating jobs in house.

Nationalisation would therefore be a more effective model in achieving the goals of:
- Reducing ticket prices.
- Upgrading the rail infrastructure and fleet to reduce journey times.
- Fully electrifying the network.

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