

Circular number: NP230//11/JC
Reference: NP/P11

To: - HO Officers, Executive, Regional Organisers, Regional Councils & All Branches

19th May 2011

Dear Colleague,

McNulty Review into the Railways

As you will be aware the Government has today published the McNulty report into the railways.

The union has made numerous representations into the McNulty review. Predictably however the report is underpinned by the same ideology that led to the disastrous privatisation of the railways and seems designed to appease the vested interests of the privatised train operating companies.

Essentially passengers and rail workers are being asked to pay the price of the privatization of the railways.

If the Government implements the McNulty report the railway could be set back for decades. There would be a massive cull in railway staff and attacks on terms and conditions and an increased structural safety risks.

The railway will become even more fragmented and complex and will see a significant shift of power to the privatised train operators. The cost of running the railways would increase with the tax and fare payer having to pick up the bill. Further fragmentation of the industry and attacks on rail workers jobs and conditions could lead to significant and protracted industrial relations problems.

Key points and RMT initial analysis are as follows,

- The report says our railways are 30% less efficient than European Comparators. It says that this inefficiency is caused by lack of government leadership and fragmentation and that closing this efficiency gap will result in savings of between £740million and £1050 million a year by 2018/19.

- The report proposed to do this by breaking up Network Rail, longer franchises and attacking staff conditions and paving the way for an attack on regional railways. The report says 35 % of the total savings should come from staff including cuts in maintenance, DDO being the default position for all trains, a review of station staffing and scrapping regulations that protect ticket offices. (See attached document).
- The report says Network Rail should just a holding company with route level concessions being operated by subsidies or other organizations and there should be early pilots for joint ventures and concessions of rail infrastructure. The report lines up an attack on regional railways by saying they are about six times more expensive to run per mile than long distance and commuter franchises.
- The report has not considered the benefits of re-integrating the railways under public ownership. It has chosen to ignore the fact that billions of pounds is drained from the industry in profits and the evidence that railways in Europe are cheaper for the taxpayer and fare payer because on the whole they are in public ownership and less fragmented. Our research gives a conservative estimate that the cost of privatisation (high borrowing cost, numerous interfaces and dividend payments) mean privatisation is costing the tax payer a billion a year.
- Instead, while the report rightly identifies fragmentation of the industry as the main cause of high costs, it then inexplicably recommends further fragmentation and privatisation of the railway by arguing for the breakup of Network Rail and the sale or leasing of its assets to the private train operating companies.
- These proposals will increase costs and reduce efficiency leading to poorer services and higher fares. Further fragmentation will also have a significant and adverse impact on the ability of the railways to contribute to strategic objectives such as contributing to economic growth, moving freight to rail and reducing carbon emissions.
- Re-introducing the profit motive coupled with fragmenting signal and track maintenance and signalling operations will create a Railtrack Mark 2 and is inexplicable given the woeful safety record of Railtrack. Following the establishment of Network Rail, maintenance and signalling operations were rightly reintegrated and passed to a not-for-dividend company. McNulty would reverse this.
- As stated previously the report proposes significant cuts in train, ticket office and maintenance workers – a false economy which could result in falling passenger numbers. Research by Passenger Focus and others shows that station and train staff are important to passengers for ticket sales, journey advice and general reassurance.
- The call for an assault on jobs and conditions also ignores the fact that rail workers productivity has increased at a greater rate than labour costs. Unlike the very close correlation between the profits of the privatised railway companies and public subsidy, which the report chooses to ignore, there is no correlation between public subsidy and

increasing labour costs. Average earnings in the industry are not in excess of those in the wider economy

- The report proposes greater commercial freedom for the privatised train operating companies, loosening of fare caps and fares tied to market demand. This will see passengers have to pay even higher fares on top of the eye watering increases already announced by the Government. Our research shows that in the last ten years the real cost of motoring has declined by 8%, the cost of flights has declined by 34% but rail fares have increased by 15% in real terms.

I will be providing a more detailed analysis shortly but in the meantime please be assured that the union will be mobilising a major campaign against these proposals.

Yours sincerely,

A handwritten signature in black ink that reads "Bob Crow". The signature is written in a cursive, slightly slanted style.

Bob Crow

General Secretary