Ending the rip-off on our railways

The failure of privatisation and the case for an integrated publicly owned railway

RMT submission to the Williams Review

May 2019

Introduction

This document forms the submission to the Williams Review by the National Union of Rail, Maritime and Transport Workers. In this document we set out why we believe that the failure of franchising forms part of a wider failure of privatisation on the railways. We also set out what our railways could look like if they were taken back into public ownership and delivered through a single, integrated publicly owned company.

Our submission also draws on the results of a survey based on a sample of RMT's railway worker members. This survey was based on a sample of 2900 railway workers in RMT's membership. It took place between 23 and 27 May 2019 and it received more than 800 responses.

The voices of the people working on our railways are far too often forgotten. For example, in the high level document setting out the objectives of the Williams Review, staff are not even listed as one of the railway's stakeholders.

Governments and rail companies come and go but the one constant on our railways is the rail workers who work hard, under hugely difficult circumstances, to keep our railways moving safety. This document includes their voices as they set out their views on what the problem is and what the solution should be.

Part 1 of the submission deals with the failure of privatisation. Part 2 sets out why RMT supports the replacement of franchising with a single, publicly owned and integrated railway.

Executive Summary:

1. The failure of privatisation

The privatisation of Britain's railways has been a disastrous failure.

- Passenger numbers have not grown because of privatisation - economic growth and the changing world of work pushed people toward rail. This would have happened regardless of who was running the railways.
- Britain's rail fares were **20% higher in 2018 real terms than in 1995.** The most in-depth study to compare UK rail fares with those on the European continent found that in the case of most classes of ticket, fares in Britain were far higher.
- On 29 January 2019, *TransportFocus* reported that **overall passenger satisfaction on the railways had fallen to a 10 year low.**
- Over the last 10 years, private sector investment has been dwarfed by the public contribution. Between 2007/8 and 2017/18, the private sector invested £7.3 billion, compared with public expenditure of **£60.3 billion** over the same period.
- The **average age of rolling stock on the railways has risen** since privatisation, from 16 years in the last year before privatisation to almost 20 years in 2017/18.
- The profitability of the Train Operating Companies (TOCs) is only possible because of the direct subsidies from government, coupled with a large indirect subsidy from Network Rail, whose track access charges remain fixed, even as fare revenue increases.
- Publicly owned Network Rail (NR) is being prevented from playing the kind of investment role that is needed by the fact that it has to bung a massive indirect subsidy to the TOCs and carrying the costs of infrastructure investment while being hamstrung by Treasury spending controls.
- **21 out of 29 routes** are now run by companies owned or part owned by foreign state owned companies or joint ventures meaning that their profits are flowing overseas and being used to invest in other states' railways.
- The TOCs paid **£218 million** out in dividends to their shareholders in 2017/18. Over the last five years, they paid out £1.2 billion to their shareholders.
- Over the course of 2017, the three ROSCOs paid out **£272.5 million** in dividends to their shareholders, much of it flowing into parent companies in low tax regimes.
- **94%** of the respondents to RMT's survey of railway workers said they thought that the train companies are more motivated by making a profit rather than providing a service and value for money for passengers.
- UK rail is a strategically important national asset. Its economic importance to Britain is already huge and it could play an even bigger role in supporting an industrial strategy to rebuild our economy and help meet our carbon reduction targets. But we must take back control of UK rail.

2. The case for an integrated, publicly owned railway

There is a strong public interest in rail

- This interest is comprised of the different groups of passengers who use the railway for different ends; workers on the railways; the communities that benefit directly from rail infrastructure development; the businesses that depend on freight travel as well as the national interests in the development of economic and social infrastructure and in the promotion of a strategically integrated low carbon transport system to support the UK's objectives on climate change.

- RMT's view is that the public interest in railways is best advanced by bringing the railway back into an integrated form of public ownership. This would mean that the railways could be geared toward a range of public objectives such as:

  I. Ensuring that railways are accessible and safe for all who want to use them

  II. Recognising that rail is important not just for the national economy but for supporting wider social and environmental objectives;

  III. Aiming at continuous improvement of the system as a whole and innovation not simply where it provides a 'commercial opportunity' or 'value for money' but where it can deliver in ways that reflect the wider public interest in railways;

Renationalisation would be popular.

- Opinion polls and surveys over the last five years consistently show that there is a substantial majority of public opinion in favour of renationalisation.
- **89% o**f railway workers responding to our survey said they believed that the current privatised system should be replaced with a publicly owned and nationally integrated railway.
- **92%** of passengers responding to a survey by *Transport for Quality of Life* said they believed that the railway would work better if it was reunited in a single organisation.
- **80%** of railway workers who responded to RMT's survey said they thought their company would try to increase profits at the expense of jobs and conditions.

With integrated public ownership we could build a railway that is affordable, reliable, safe and accessible.

- Taking the drive to extract profit out of the railways would set rail finances on a more transparent and sustainable basis.
- The drive to extract profit is behind the attacks on attack on jobs and conditions. Under privatisation, **89%** of stations are without staff at some parts of the day even though trains are operating. Driver only operation has been pushed by TOCs in spite of warnings about its safety and its impact on disabled people by the RSSB, the Equalities and Human Rights Commission, the government's own disabled people's advisory committee and others.

- It should be possible to protect the rights of disabled people by inserting a clause into TOCs' Disabled Persons Protection Policies (DPPPs) that protects the roles of guards and station staff but the regulator, the ORR, refuses to do this because it is funded by the TOCs and has a duty to promote competition that conflicts with its role as equality regulator.
- This is not the kind of railway, the public and passengers want. As *TransportFocus* have said 'All our research indicates passengers really like the re-assurance only the presence of staff can bring'.
- Taking the profit motive out of the railways and viewing staff as an asset would enable an integrated publicly owned railway to invest in creating more new jobs, supporting a safer, more reliable, more secure and more accessible railway.

A publicly owned and integrated railway would be able to draw on the skills of its workforce and innovate and invest more successfully.

- Privatisation has seen a disastrous attack on jobs and knowledge as workforces have been split up into a multitude of competing companies. Public ownership would allow us to end the inefficiency of outsourcing and create a unified workforce all working to one goal.
- When Network Rail brought maintenance jobs back in-house in 2003/4, it contributed **to NR saving £1.1 billion by 2011** and as CEO Ian Coucher said, 'the contractual barriers fall away, they are now all on the same side and they just get it fixed.'
- **91%** of railway workers responding to RMT's survey said they believed that the railway would work better as a national single unified organisation, rather than as separate companies.
- Public ownership would allow us to make more coordinated and efficient investment in railway engineering and rolling stock as well as sidestepping the problems of fragmented and competing interests that have stood in the way of the wider introduction of nationally coordinated ticketing solutions.

A publicly owned and integrated railway could play a bigger role in protecting and enhancing the environment

- Public ownership would allow for a properly planned, steady and phased transition toward a properly electrified passenger network supported by a properly upgraded power grid;
- Abolition of the costly system of track access charges and the competing interests of passenger and freight companies would enable the greater coordination of both services across the network.
- Proper investment in intermodal freight exchanges that would enable Britain to build a proper multi-modal freight system centred on rail and enabling a decisive shift away from road haulage.
- A publicly owned railway that wasn't focused on generating shareholder dividends could reinvest in fare discounts to encourage a new generation of young people using the railways.

A railway that creates good jobs and positive industrial relations

- A publicly owned and integrated railway would be able to view its staff as an asset to be invested in and involved. This would enable the building of constructive and positive industrial relations.
- The drive to extract profits by cutting jobs and pressing down on staff pay and terms and conditions creates anger and resentment. To this resentment is added the fact that the multitude of different employers on the railway creates major variations in pay and conditions.
- In recent years, the government has intervened in and even provoked disputes, while acting to shore up franchisees profits by attacking unions' ability to defend their members and then shielding companies from the financial consequences of disputes.
- RMT believes that everyone would benefit from a return to integrated national bargaining. This would be theoretically achievable today, but undoubtedly far easier and more effective in a single, integrated railway system.
- Almost **80%** of railway workers said that they believed rail nationalisation would lead to better industrial relations**.**
- In the period 1980-1994 under British Rail there were only two disputes that involved the majority of rail workers.
- Staff employed after privatisation do not receive travel facilities for the whole network in spite of the fact that this would be cheap to remedy. **95%** said that all railway staff should receive travel facilities across the whole network.

Public rail supporting industrial renewal

- A public interest railway could also play a key role in wider renewal in Britain's manufacturing base. A publicly owned railway engaging in planned and phased investment in projects like electrification, intermodal freight terminals, new rolling stock and track maintenance, renewal and enhancement would make it easier to establish long term contracts with manufacturing, maintenance and refurbishment companies in the railway supply chain.

Democratic and accountable to workforce, users and the public:

- The attempts by the DfT to micro-manage the railways, the noises about reinventing the Strategic Rail Authority (SRA) and the enthusiasm among devolved bodies to take greater control of franchising are all symptoms of the widespread recognition that the system is broken.
- The best way to create a transparent and democratically accountable railway is public ownership. Railways should be accountable to the people, through Government and Parliament, internally to its users and workforce and should work with devolved bodies to specify local rail services

1. The failure of privatisation

> "The approach that we have taken for the past 25 years has led to a record growth in passenger numbers, a record number of services on our network and a record level of safety across our network."
>
> Andrew Jones, Rail Minister, 21 March 2019
>
> "The railways should be for the travelling public, should be affordable and should be constantly invested in, keeping Britain's railway and its infrastructure safe, modern and affordable. Not for shareholders, not cutting services, not cutting safety and lacking in investment."
>
> RMT railway worker, May 2019

The privatisation of Britain's railways has been a disastrous failure. The safety crisis in the 1990s and early 2000s and the collapse of Railtrack; the rising cost to passengers, the creation of a fragmented and chaotic network, prone to paralysis with the slightest shock and the failure to deliver a modern, integrated and high technology railway, all tell the same story. The network remains dependent on massive public subsidies, much of which leaks away in dividends, contract and management charges and interest payments to the private sector.

Yet to listen to the government and the companies running the railways, privatisation has been a story of unbounded success. In this section, we tackle some of the self-serving myths peddled by the private sector.

Passenger numbers have not grown because of privatisation

The private train operating companies and the Conservative government like to claim that privatisation has delivered more passenger numbers than British Rail. This is not the case.

Passenger numbers grew to reflect a period of macro-economic growth, coupled with changes in the world of work in Britain. Recent research by the Independent Transport Commission, published in November 2018, established that the main factors driving the expansion in rail passenger numbers were external to the rail industry. In particular, they pointed to the recomposition of employment within the UK economy.

As manufacturing jobs declined and employment in professional, scientific, technical and ICT sectors grew, employment has re-centred on London, the south-east and major metropolitan centres and this has required a far greater dependence on commuting to work. Coupled with planning policy that focused development on urban brownfield sites and the rising congestion on Britain's roads, more people needed to travel into London and other major cities for work. These factors, the authors estimated **'have generated over a 40% growth in rail commuting between 1996 and 2018'**, while '**changes in employment structure alone, have resulted in a 38% growth in rail business trips'**. [1]

In other words, the economic growth and the changing world of work pushed people toward rail. This would have happened regardless of who was running the railways, so the private train operators can't claim any success here.

If privatisation has played no role in the growth of passenger numbers, neither has it delivered a good service or experience for those people using our railways.

The private sector has failed rail passengers

TransportFocus's surveys of passenger priorities and drivers of satisfaction have continually emphasised 'the importance of an affordable, punctual, reliable, frequent service on which you can get a seat or, at the very least, stand in comfort'.[2] On every measure, Britain's privatised railway system is failing against these priorities.

Britain's rail passengers have endured more than a decade of fares rising faster than inflation at a time of falling real wages and by January 2018 were 20% higher in real terms than in 1995 (Figure 1).[3]

The most in-depth study to compare UK rail fares with those on the European continent found that **in the case of most classes of ticket, fares in Britain were far higher.** Fully flexible day return fares to London were among the highest in Europe, season tickets of all lengths were significantly more expensive to London than to other European cities, while walk-up long distance fares in Great Britain were also 'significantly more expensive than any other country'. This research was conducted in 2009, subsequent studies have only confirmed the general picture painted.[4]

For example, research by the TUC, published in January 2017, showed that **UK workers spend a far higher percentage of their income on commuting than European counterparts**. Commuters on average salaries spend 14% of their income on a monthly season ticket from Luton to London (£387), or 11% from Liverpool to Manchester (£292).

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[1] Ian Williams and Kaveh Jahanshahi, *Wider Factors affecting the long-term growth in Rail Travel*, (Independent Transport Commission, November 2018, pp. 9-10.

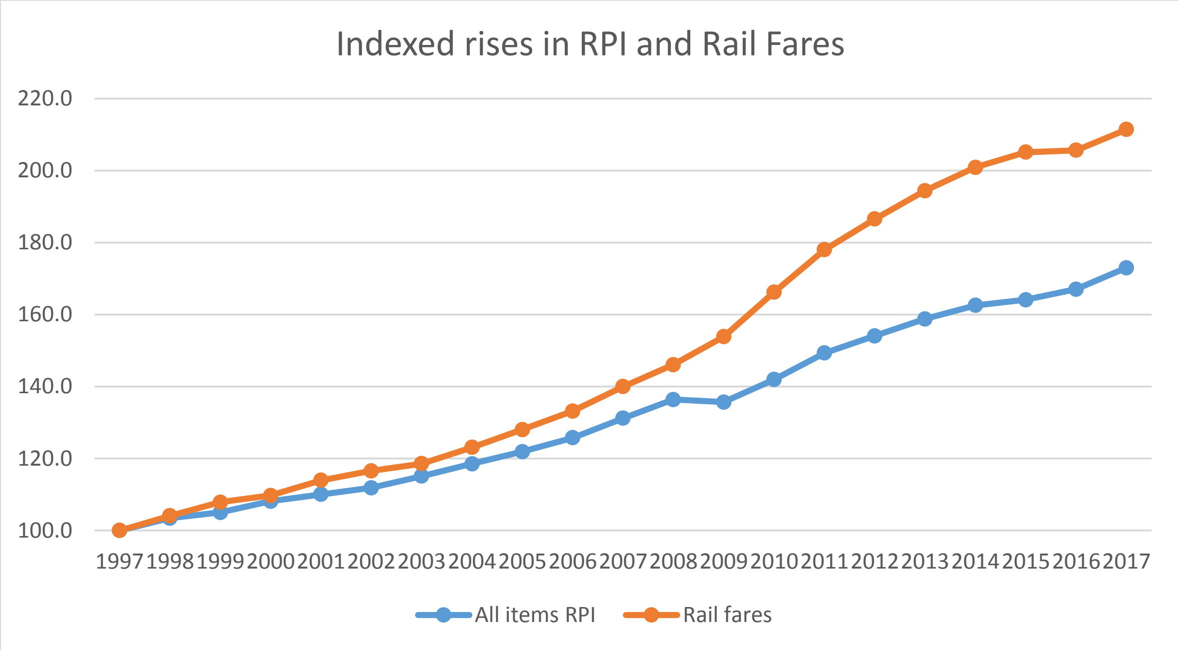
[2] TransportFocus, *Williams Rail Review: what do passengers want?* January 2019, p. 2 (http://d3cez36w5wymxj.cloudfront.net/wp-content/uploads/2019/02/01160753/Williams-Rail-Review-what-do-passengers-want.pdf)

[3] Noel Dempsey, Railways: Fare Statistics, Briefing Paper SN06834, 30 November 2018, p. 3; https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/762032/tsgb1308.ods

[4] 'Comparisons between fares and ticketing in Britain and continental Europe', Steer Davies and Gleave, prepared for *Passenger Focus,* Final Report, February 2009, pp. 15-16.

By contrast, similar commutes would cost passengers only 2% of their incomes in France, 3% in Germany and Italy, and 4% in Spain.[5]

Figure 1: Indexed rises in Retail Price Index (RPI) and Rail Fares[6]



The escalation of fares in the privatised network might be excusable if passengers were seeing a better service, but they are not.

On 29 January 2019, *TransportFocus* reported **that overall passenger satisfaction on the railways had fallen to a 10 year low**. On overall satisfaction with the train, frequency of trains, punctuality, reliability length of the journey, passengers in 2018 were less satisfied with the service they got than in 2017. Only 46% of passengers thought the trains were value for money.[7]

The timetabling crisis of May 2018 was a direct consequence of the fragmentation of Britain's privatised railways: Govia Thameslink Railways entered the new timetable with insufficient drivers to deliver the changes, as a consequence of their business model; Network Rail came under political pressure to deliver unrealistic electrification projects in the North-West as a consequence of the Department for Transport's decision to cancel three major projects in 2017, resulting in train operating companies having inadequate time

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[5] https://www.tuc.org.uk/news/national/uk-commuters-spend-5-times-much-their-salary-rail-fares-other-europeans-finds-tuc

[6] Source: Department for Transport data: (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/762032/tsgb1308.ods)

[7] http://d3cez36w5wymxj.cloudfront.net/wp-content/uploads/2019/01/05111216/New-Main-Report-Autumn-2018.pdf https://www.transportfocus.org.uk/news-events-media/news/rail-passenger-satisfaction-lowest-level-decade/;

to implement the new timetable. When the chaos began, it rippled out across the network's franchises affecting an estimated 1 in 5 passengers.

The problems underlying the timetabling crisis arise from the structural fragmentation of the sector. As the Office of Road and Rail (ORR) interim report said in September 2018, '**the present industry arrangements do not support clarity of decision making: it was unclear who was responsible for what. Nobody took charge'.** As the Transport Select Committee of MPs said, this chaos was a consequence of '**the astonishing complexity of a disaggregated railway in which the interrelated train companies operating on publicly owned and managed infrastructure have competing commercial interests'**.[8] Britain's railways are expensive, fragmented, structurally conflicted and chaotic.

> "I've been instructed to leave passengers at an unstaffed station to change for another service so my train can miss its booked manned station stop to regain delay minutes."
>
> "Running short formed trains, not providing enough information during disruption, cutting staff on stations, increasing ticket fares every year, attempts to get rid of train guards."
>
> "The whole railway infrastructure is comprised of a 'blame culture' where every company is competing against the others, and blaming each other for the problems arising instead of striving for one common goal."
>
> RMT railway workers, May 2019

The private sector has failed to deliver investment and innovation

The private sector likes to boast about its investment but the reality is that privatisation has failed not only to create a world-class railway system but even to maintain and renew the existing one at an effective level.

Data from the ORR shows that over the last 10 years, investment classed as being by the private sector has been dwarfed by the public contribution. Between 2007/8 and 2017/18, the private sector invested £7.3 billion, compared with public expenditure of £60.3 billion over the same period.[9]

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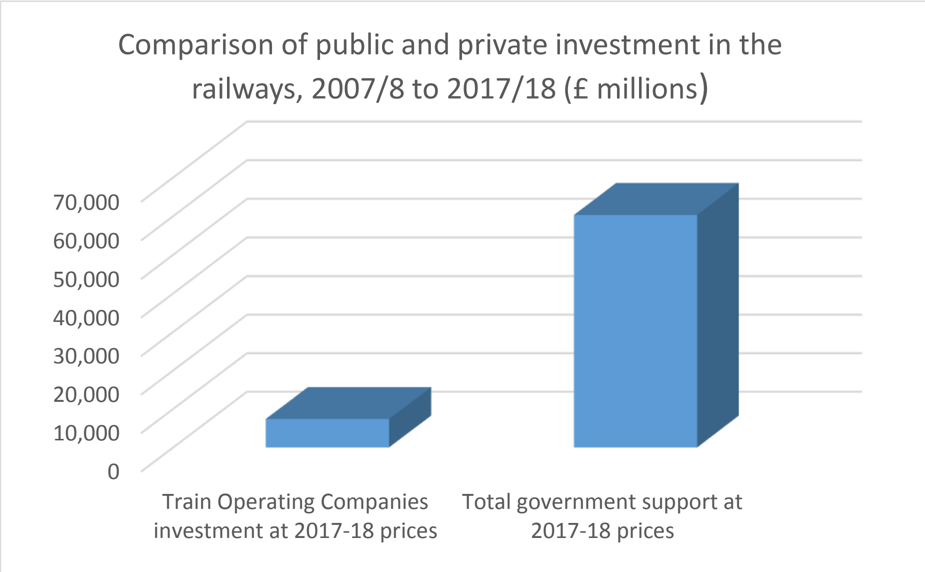
[8] Office of Rail and Road: *Independent inquiry into the timetable disruption in May 2018*, 20 September 2018, p. 5; House of Commons Transport Committee: *Rail timetable changes, May 2018, Seventh Report of Session 2017-19* (HC1163) 27 November 2018, p. 22.

[9] See the data in the ORR's data portal, here: http://dataportal.orr.gov.uk/displayreport/report/html/a1bcb53b-9914-4d7d-9d57-0187cd27e59b#
http://dataportal.orr.gov.uk/displayreport/report/html/a830de20-83bf-408d-9c22-7f3ec23999f9

Figure 2: Comparison of public and private investment 2007/8 to 2017/18



Source, ORR data http://dataportal.orr.gov.uk/displayreport/report/html/a1bcb53b-9914-4d7d-9d57-0187cd27e59b#

Even this figure over-estimates the private contribution. ORR data shows that the almost 80% of the spending counted as being 'private' is in fact investment in rolling stock.[10] This is likely to be by the ROSCOs rather than by the train operating companies. As the authors of 'Rebuilding Rail' argue, ROSCO spending on rolling stock has been led by the Department for Transport and underwritten by the public subsidies supporting the franchising system[11]. So in reality, this so called private investment is driven by and ultimately funded by the public.

This overall lack of investment reflects the deeper problems that privatised companies each pursue their own short-term interests at the expense of the public interest in long-term investment and innovation on our railways.

For example, DfT data shows that the **average age of rolling stock on the railways has risen since privatisation, from 16 years in the last year before privatisation to almost 20 years in 2017/18.**[12] As reports from the National Audit Office (NAO) and even the government's McNulty Report acknowledged, train operating companies have little incentive to invest in more modern and efficient rolling stock, which is monopolised by the three bank-owned ROSCOs. The ROSCO's themselves have little incentive to invest in new rolling stock, preferring to extract the maximum value from long leases on their existing stock and as the Office for Road and Rail acknowledged, 'rarely engage in genuinely

[10] https://dataportal.orr.gov.uk/displayreport/report/html/a1bcb53b-9914-4d7d-9d57-0187cd27e59b
[11] Rebuilding Rail, Transport for Quality of Life (June 2012), p. 33. The
[12] http://dataportal.orr.gov.uk/displayreport/html/html/ab2f70d4-d415-4dea-b8ea-bf9925011260

speculative new build'. High leasing costs are then passed onto the taxpayer through the subsidies demanded by TOCs as compensation and through higher fares from passengers.[13]

This broken system has led the Department to attempt to procure new rolling stock directly for the Thameslink and InterCity routes. As the Permanent Secretary at the Department of Transport told the Public Accounts Committee recently,

> **'we are likely to get better results than .... asking three companies with different owners, objectives and agendas to co-operate to buy £2.5 billion-worth of trains. Above all, I am concerned about delivery driving value for passengers and taxpayers, and adopting such a hypothetical alternative appears to be a sure recipe for non-delivery. Those companies have different objectives, and the franchises typically last for seven years, and in some cases a bit longer. The trains, assets and services will be there for a generation—25 or 30 years.'**[14]

While this shows that government now recognises the failure of the system that depends on private train operating companies and ROSCOs, it then went on to set up a complex public-private partnership levering in finance from a consortium of British and Japanese banks to fund Hitachi to build and maintain the new rolling stock in return for guaranteeing payments from the TOCs to the owners.

The most disastrous failure of the private sector was of course during the short period when it was allowed to control the rail network itself. The catastrophic record of Railtrack and the infrastructure companies led directly to a number of fatal rail crashes. Railtrack's demonstrable inability to run the railways safely forced the government to create the not-for-dividend company Network Rail. This restored the network to safety and saved public money by stopping the flow of money to shareholders and bringing maintenance services back in house.

Once again, however, government dogma about the efficiency of the private sector has got in the way. The government's determination to enable the continued profiteering of the train operating companies is also preventing Network rail from delivering proper investment.

The profitability of the Train Operating Companies is only possible because of the direct subsidies from government, coupled with a large indirect subsidy from Network Rail, whose track access charges remain fixed, even as fare revenue increases. As one major academic study of the railways put it:

> "**the key undisclosed pre-condition of TOC's profit is the fudge whereby the sector's operating loss and its capital expenditure charge is, in effect, being charged to the not for profit, quasi-public part of the sector –**

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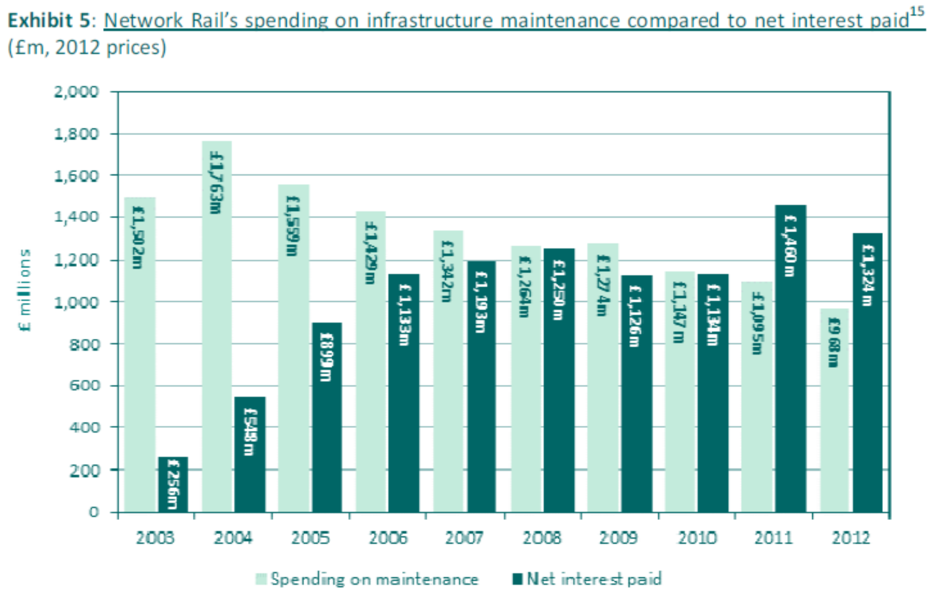
[13] *The leasing of rolling stock for franchised passenger services: ORR's reasons for making a market investigation reference to the competition commission*, Office of Rail Regulation, 26 April 2007, pp. 73-74.

[14] Philip Rutnam, Permanent Secretary, Department for Transport, evidence to Public Accounts Committee: Procuring new trains, HC 674, Monday 13 October 2014, (http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/public-accounts-committee/procuring-new-trains/oral/14576.html)

Network Rail which indirectly subsidises the TOCs via low track access charges."[15]

Figure 3: Network Rail spending on maintenance compared to interest paid[16]



Because it was unable to charge the TOCs for the real costs of their access to the track, Network Rail had to borrow to finance investment. In 2014, the austerity-addicted government was forced by the EU and the ONS to reclassify Network Rail as a public sector body for the purposes of public sector accounting. This meant that the government stepped in to constrain NR's ability to borrow.

NR is caught between a rock and a hard place. It is unable to raise either track access charges or access more borrowing and this is leading it to attempt to finance investment through sales of assets and property development. This is not enough to deliver the enhancements necessary for electrification. This was made starkly clear in 2017 when the DfT unilaterally cancelled its own electrification plans on the Great Western Mainline, Midland Mainline and the Lakes Line in an attempt to control NR's costs.

In summary, NR is being prevented from playing the kind of investment role that is needed by the fact that it has to bung a massive indirect subsidy to the TOCs and carrying the costs of infrastructure investment while being hamstrung by Treasury spending controls.

The fact is that whether you look at the rolling stock or the rail itself, far from being a disruptive source of innovation, the private sector is *the* major barrier to the creation of a modern, integrated rail system that works for the UK economy or its people. Worse still, while delivering this record of failure, the privatised railway has created a set of parasitic interests feeding off the UK taxpayer.

[15] A. Bowman, P. Folkman, J. Froud, S. Johal, J. Law, A. Leaver M. Moran, K. Williams, *The Great Train Robbery: Rail Privatisation and After – CRESC Public Interest Report* (7 June 2013), p.25.
[16] Bowman et al., *Great Train Robbery*, p. 25.

The private sector is parasitic on the taxpayer

If the private sector has failed to deliver cheaper or better travel, and failed to bring innovation and investment, it has also failed to provide value for money for the taxpayer.

The government funds the railways in several ways: network grant which is provided to Network Rail, central government subsidies to Train Operating Companies to offset the risks of lower than expected revenues, Passenger Transport Executive (PTE) grants, and direct grants to support specific projects like Crossrail and HS2.

Public investment in the railways has **increased from £2.3 billion in 1986/7, measured in today's prices, to £6.4 billion in 2017/18**. This is only direct government support, leaving aside lending to Network Rail. In fact, the only time in which public investment fell during the years of privatisation was in the period leading up to the Ladbroke Grove and Hatfield accidents.

How is this possible?

As we've seen, the TOCs are not really bringing investment into the railways but remain completely dependent on public subsidies for their presence on the railways. The truth is that companies are awarded franchises that allow them to capture fare revenue while being shielded from the risk of serious losses by direct subsidies when passenger numbers dip. To quote the ORR, **'TOCs tend to be thinly capitalised companies with few assets and relatively little ability to bear downside risks. To help manage this issue, revenue risk-sharing mechanisms were introduced into franchise contracts'.**[17]

In addition, they are insulated from the costs of operating, maintaining, renewing and enhancing the rail network by massive grants to the publicly owned Network Rail. These subsidies – network grant – are given in return for NR keeping its track access charges to the TOCs artificially low. As the ORR noted in 2012**,**

> **'although payments to TOCs have fallen, the industry as a whole remains heavily subsidised….if Network Rail were to cease to receive [network grant] and instead rely on revenue generated by track access charges then all TOCs would require a positive, significant subsidy'.**[18]

And as we've seen, NR's inability to raise these charges has sent it to the private debt markets and the subsequent debt financing costs have also fallen on the public purse.

In short, beyond the headline figures, NR and the taxpayer have been saddled with the bulk of the costs of the rail network precisely in order to enable Train Operating Companies to make profits where they would otherwise be impossible.

The beneficiaries of this public generosity to the private sector have been some very large transport businesses. For while the TOCs may be 'thinly capitalised', these aren't small entrepreneurial companies. Most of the franchises are held by 'special purpose vehicle'

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[17] Office of Rail Regulation, *Costs and Revenues of Franchised Passenger Train Operators in the UK* (November 2012), p. 16.

[18] ORR, *Costs and Revenues of Franchised Passenger Train Operators*,, pp. 21-22.

formed as subsidiaries of transport transnationals and foreign state owned firms with the express intention of capturing what profits can be made (see Table 1 below).

The award of the East Midlands franchise to Abellio means that 21 out of 29 routes are now run by companies owned or part owned by foreign state owned companies or joint ventures.

Ironically, the subsidiaries of foreign state owned firms are using these profits to invest in the railways of their parent company state. As a German transport ministry spokesperson put it recently**,**

> **'We're skimming profit from the entire Deutsche Bahn and ensuring that it is anchored in our budget - that way we can make sure it is invested in the rail network here in Germany.**'[19]

And as we've seen, all the passenger has seen are rising fares and a system that can be reduced to chaos almost overnight.

But for all its failures, privatisation has been a lucrative opportunity for the companies involved. Public money and passenger revenue have flowed out of the rail network in various forms. Quantifying this is hard but below we reproduce some indicative figures:

[19] Quoted in Ian Taylor and Lyn Sloman, *Rebuilding Rail*, Transport for Quality of Life (2011), p. 50.

Table 1: Franchises, train operating companies and their owners

Franchise name	Operating name	Company	Owner
West Midlands	West Midlands Rail	West Midlands Rail	Abellio, Japan East Railway Company and Mitsui and Co Ltd
Wales & Borders	Transport for Wales	KeolisAmey	Joint venture between Keolis (SNCF majority owned) and Amey
South Eastern	Southeastern	L&SER Ltd	Govia (Go Ahead Group plc and Keolis (SNCF majority owned)
West Coast Partnership	Virgin West Coast	West Coast Trains Limited	Virgin Group and Stagecoach Group
East Midlands	East Midlands Train	Stagecoach Group	Stagecoach Group (now awarded to Abellio, March 2019)
Cross Country	Cross Country	Arriva UK Trains	Deutsche Bahn
Great Western	Great Western Railways	FirstGroup	FirstGroup
Thameslink	Thameslink	Govia Thameslink Railways	Go Ahead Group plc and Keolis (SNCF majority owned))
Southern	Southern	Govia Thameslink Railways	Go Ahead Group plc and Keolis (SNCF majority owned)
Great Northern	Great Northern	Govia Thameslink Railways	Go Ahead Group plc and Keolis (SNCF majority owned)
Chiltern	Chiltern	Arriva UK Trains	Deutsche Bahn
East Coast Mainline	Virgin Trains East Coast (VTEC)	Virgin Trains East Coast (VTEC)	Inter City Railways Ltd (Stagecoach 90, Virgin Group 10) – Now run as LNER, by DfT OLR Holdings Ltd
Trans-Pennine Express	First Transpennine Express	FirstGroup	FirstGroup
South Western	South Western Railway	First MTR	FirstGroup and MTR Corporation. MTR is owned by the Hong Kong Government
Northern	Northern	Arriva UK Trains	Deutsche Bahn
Essex Thameside	C2C	Trenitalia UK	Italian State Railways
Greater Anglia	Abellio East Anglia	Abellio	NedRailways (Dutch) 60, and Mitsui (40)
Scotrail	Scotrail	Abellio	NedRailways (Dutch) 60, and Mitsui (40)
Merseyrail	Merseyrail	Serco-Abellio	Serco and Abellio - NedRailways (Dutch) 60, and Mitsui (40)

Dividends to the parent companies of the Train Operating Companies	TOCs earned £223 million more than they spent in **the last year and paid £218 million out in dividends** to their shareholders in 2017/18. **Over the last five years, they paid out £1.2 billion to their shareholders**.[20]
Dividend payments from ROSCOs to their shareholders	TOCs paid out **£2.0 billion to ROSCOs** for rolling stock leasing in 2017/18.[21] Over the course of 2017, the **three ROSCOs paid out £272.5 million in dividends alone**, not counting interest on intra-group loans. Porterbrook's accounts for 2017 show that it **paid dividends worth £84.5 million to shareholders**.[22] Angel Trains Group Ltd's accounts for the same year show that **it paid a dividend of £145 million to its parent company, most of which then flowed out to the ultimate parent company based in St Helier.[23]** In 2018, Eversholt UK Rails Ltd, which is owned ultimately by a multinational conglomerate registered in the Cayman Islands and in 2017 **paid a dividend of £43 million to its parent company registered in Luxembourg.** It paid an additional **£43 million in interest on intra-group loans from its Luxembourg parent.[24]**
Interest payments on Network Rail's private debt	Network Rail **paid £2.1 billion in financing costs to its private creditors** in 2017/18.[25] As explained above, this is borrowing NR was forced to undertake because of its need to provide indirect subsidies to the TOCs to underwrite their profits.
Profits extracted by firms sub-contracted by the TOCs, ROSCs and Network Rail	Reliable information on the amount of money leaking from the rail network through sub-contracting is hard to obtain but it has been suggested that contract profit margins on renewals and maintenance conducted for Network Rail **could be in the region of £200 million per year.** In 2012, Just Economics estimated that the value of the operating margins on sub-contractors working for the TOCs and ROSCOs amounted to **around £176 million over the period 1997-2009.[26]**

[20] Office of Rail and Road: *UK rail industry financial information, 2017-18*, 30 January 2019, p. 19;
[21] Ibid, p. 18.
[22] Porterbrook Holdings I Ltd, Annual Report and financial statements, year ended 31 December 2017.
[23] Angel Trains Group Ltd, Annual Report and financial statements, year ended 31 December 2017.
[24] Eversholt UK Rails Ltd, Annual report and financial statements May 2017 to December 2017.
[25] ORR, *UK rail industry financial information*, p. 20.
[26] *Rebuilding Rail, Final Report*, June 2012, Transport for Quality of Life, pp. 18-19.

The high profits and dividends extracted by the ROSCOs have long been recognised as scandalous. As we saw above, government officials have attempted to circumvent the ROSCOs by procuring rolling stock for key routes directly and are on record as recognising the problem. But they are unwilling to properly address it. The ROSCOs still control almost 90% of rolling stock on the railways and so the eye-watering profiteering continues.

> "If a train fails, and we need a part to replace a defective part, it has to be supplied by the correct Rosco. So if an Angel train fails and we only have a Porterbrook train part, even if same part, we cannot fit it, we wait for a part supplied by Angel"
>
> RMT railway worker, May 2019

The headlines for TOC dividend payments may only represent part of the value they take out of the network. As RMT revealed in November 2018, some companies are using intra-group lending to extract more money from their franchising subsidiaries. **The Dutch state-owned parent of Scotrail, for example, let slip that it was charging 8% interest on lending to its subsidiary, in addition to expecting full repayment of the loan by the end of the franchise.**[27] However, this inter-company lending is difficult to trace in company accounts.

The profit that is visible from their accounts represent about 2.5% of passenger fare income. But this doesn't really capture the scale of the deal that the TOCs are getting. In reality, as we've seen, the TOCs are more like value extraction vehicles who make very little investment in the railways, essentially contracting with the government to run an already-existing infrastructure and staff. The real issue is the *rate of profit the TOCs make compared to what they invest*. Researchers analysing TOC profits as a proportion of capital advanced in 2013 calculated that the **TOCs make a return of their capital of 121%. The vast majority of this profit flowed out in the form of dividends to their parent companies.** Analysis of the annual reports of the five TOCs with the largest amounts of public subsidy indicated that **between 80 and 100% their profit was turned into dividends**.[28]

Rail workers are quite clear on where their employers' priorities lie. **94% of the respondents to RMT's survey said they thought that the train companies are more motivated by making a profit rather than providing a service and value for money for passengers.**

[27] https://www.rmt.org.uk/news/public-and-passengers-pay-8-on-scotrail-bailout-loans/

[28] A. Bowman, P. Folkman, J. Froud, S. Johal, J. Law, A. Leaver M. Moran, K. Williams, *The Conceit of Enterprise: train operators and trade narrative: CRESC response to ATOC's 'Growth and Prosperity' Report* (4 September 2013), p. 15; A. Bowman, P. Folkman, J. Froud, S. Johal, J. Law, A. Leaver M. Moran, K. Williams, *The Great Train Robbery: Rail Privatisation and After* (7 June 2013), p. 49.

For transport transnationals, rail represents a high return on a small investment and adds valuable cashflow to their existing businesses. As the Annual Report and Accounts of the Go-Ahead Group, who own Govia, explain, "Our core bus operations in London and the UK regions provide us with stable profits and cash flows, and **our UK rail operations generate additional cashflows and high returns on capital."**[29]

The system is broken

The debacle over the awarding of the East Midlands franchise is yet another illustration that the system is broken. Stagecoach and Arriva are currently taking legal action against the Department for Transport because they believe that ministers and officials changed the rules on what level of liability the companies should take on for the Railways Pension Scheme in relation to the East Midlands, West Coast Partnership and Southeastern franchises. Underlying the political furore is the deeper problem that the private companies on the network want to be shielded from 'risk' (in the form of variable customer demand, investment costs or pension liabilities) in order to guarantee profits. The same signs of morbid decay are visible in the chaos that accompanied the timetable change in May 2018, in which, as the ORR put it, **'nobody took charge'**.

This should not surprise anyone. The system of competing and conflicting incentives among the TOCs and ROSCOs is overseen by a weak and conflicted regulatory framework. The Office of Rail and Road and the RSSB are both funded by the Rail Industry while the ORR has a highly problematic duty to promote competition on the rail network at the same time as overseeing health and safety and equality on the network.

In addition to allowing the transformation of public investment into shareholder dividends, privatisation has created a set of companies who now have an interest in continuing this racket over and above any commitment to delivering a modern public service. This is coupled with a compromised regulatory framework that is completely unable to provide strategic oversight or control in the public interest.

Even the government knows that this system is broken. The Department for Transport has attempted to apply sticking plasters to the most obvious failures of the privatised system while leaving its fundamentals firmly in place:

- Attempting to override the racketeering in the leasing of rolling stock by procuring new stock for the InterCity Express and HS2 lines directly from manufacturers;
- Overriding the franchising system on the rail network by making Direct Awards to TOCs to keep them from walking away when they don't make enough profit;
- Driving over-ambitious electrification projects to compensate for the long-term failure of the private sector and then cancelling them when the costs of financing them grew.

[29] Go-Ahead Group Annual Report and Accounts for the year ended 30 June 2018, p. 10

- Commissioning a series of reports whose aims are directed solely at making savings to public spending or improving customer experience while avoiding the structural dysfunctionality of the system and glossing over private sector parasitism.

Now we may see attempts to create a new 'guiding mind' while leaving private ownership in place, a kind or rebooting of the Strategic Rail Authority or an attempt to create something like Transport for London at a UK level. But the truth is that the problems of the system go far deeper than regulation. The private sector has no interest in carrying the costs of the system and can only create profit by offloading the costs onto the public and squeezing profit out of the railways in ways that hold back innovation, drive up fares, cut costs, provoke industrial action and prevent the creation of an integrated and modern railway.

As we've seen, the privatised railways have done little but profit off the expansion of rail travel, while providing an expensive, unsatisfactory and frequently chaotic service to passengers on an ageing and under-invested network. We cannot go on applying sticking plasters to this failed experiment or rearranging the fragments of our broken system.

UK rail is a strategically important national asset. Its economic importance to Britain is already huge and it could play an even bigger role in supporting an industrial strategy to rebuild our economy and help meet our carbon reduction targets. But we must take back control of UK rail.

2. The case for an integrated, publicly owned railway

The public interest in the railways

The Williams Review established three high level objectives on the basis of identifying three stakeholders in the railway: passengers, taxpayers and 'wider society' in which everyone else is lumped. The objectives are established around the interests of these stakeholders. But in reality, the railways are a more complex system with more stakeholders whose interests are not properly reflected here. For example, the interests of passengers can be divided into long-distance business travellers, urban commuters and those who travel for leisure and to visit family and friends. What these people need from the railways is not entirely the same, even if there are common themes that arise largely from its high cost and unreliability.

It is a major problem of the objectives that they nowhere take account of the interests of the more than 200,000 people and their families who depend on the railways for their employment, not to mention those many thousands more who are dependent on its supply chains. The voice of staff is completely absent. Similarly, dividing 'taxpayers' and their interest in value for money off from the wider society which benefits from rail travel means that the review cannot consider how the wider societal benefit might be leveraged to increase funding for the railways. It is simply assumed that the railway must be affordable for the assumed static community of taxpayers.

In short, the high level objectives of the Williams Review presuppose a broad status quo in which 'customers' and 'taxpayers' want 'value for money'. This militates against a more complex view of railways as a multi-stakeholder public service. Consequently, whatever the public statements of the Review, it was never likely to draw the conclusion that rail would be better run in public hands.

RMT's view is that the Review should have started from a different premise: that there is a strong public interest in rail. This public interest combines the interests of: different groups of passengers who use the railway for different ends; workers on the railways; the communities that benefit directly from rail infrastructure development; the businesses that depend on freight travel; and the national interests in the development of economic and social infrastructure and in the promotion of a strategically integrated low carbon transport system to support the UK's objectives on climate change.

RMT's view is that the public interest in railways is best advanced by bringing the railway back into an integrated form of public ownership. This would mean that the railways could be geared toward a range of public objectives such as:

- Ensuring that railways are accessible and safe for all who want to use them
- Recognising that rail is important not just for the national economy but for supporting wider social and environmental objectives;

- Aiming at continuous improvement of the system as a whole and innovation not simply where it provides a ‘commercial opportunity’ or ‘value for money’ but where it can deliver in ways that reflect the wider public interest in railways;
- Investing in and drawing on the full range of the public railways’ asset base, including, most importantly, its staff.

As we saw earlier, the myth of private sector efficiency is just that – a myth. Privatisation has failed to relieve the public of its contribution, failed to deliver an efficient or innovative railway and failed to serve the needs of its users.

Everywhere, railways cost more in pure monetary terms than can ever be recovered in fares. We need an honest debate about how to fund such a railway properly. If we recognise that there is a public interest in a continuously improving integrated railway system, working for broad social, economic and environmental goals as part of a national renewal, we have to fund it in a way that reflects this.

The public support for an integrated, publicly owned railway

The Williams Review has noted the levels of public distrust in the railway system. Its evidence papers have noted that ‘Distrust of the rail industry has worsened among passengers according to the latest figures from the Which? Consumer Insight Tracker…..only second-hand car dealers are more distrusted by consumers.’[30]

The Review has also recognised that the public understand one of the core problems on the railway is the motivations of the people running it. In a speech on 19 March, Williams noted,

> ‘The passengers we spoke to felt that not only is the industry not competent to run a quality service, but that it is not motivated to. Put plainly, they feel that those leading the railway do not want to run a quality service, preferring to prioritise making money over the experience and service they give to passengers. [31]

This view was echoed by the respondents to our survey of railway workers. **94% of the respondents to RMT’s survey said they thought that the train companies are more motivated by making a profit rather than providing a service and value for money for passengers.**

[30] The user experience of the railway in Great Britain, evidence paper, March 2019, p. 13 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/788410/user-experience-railway-in-gb-evidence-paper.pdf

[31] https://www.gov.uk/government/speeches/keith-williams-at-accelerate-rail-2019

"The train companies are only in the rail industry to make profit."

"Privatisation only benefits shareholders, profit first then everything else."

"The train companies (especially the foreign owned ones) are only in the rail industry to make profit. Otherwise they would not be running trains on the British infrastructure."

RMT railway workers, May 2019

However, Williams was more coy about public attitudes to ownership, claiming there was 'no clear consensus'. This is surprising as there is, in fact, a consistent and clear consensus among public and passengers alike showing that taking action to build an integrated, publicly owned railway would be popular. Opinion polls and surveys of the general public and rail passengers alike show that there is a substantial majority of public opinion in favour of renationalisation.

- In a Yougov poll from October 2013, **66%** of people said that the railway companies should be run in the public sector.[32]
- A Yougov poll from May 2014 showed that **64%** would support renationalisation of the railways.[33]
- A Survation poll from 2014 asked the question, 'Do you think all of the UK's railways should be under public ownership?' **87.6%** said yes.[34]
- A Survation poll from January 2017 showed that **58%** of respondents considered rail privatisation to have been a failure.[35]
- A Yougov poll from May 2017 showed that **60%** of respondents said that the railways should be nationalised and run in the public sector.[36]
- In a poll of based on a nationally representative sample of 1,042 Sky customers interviewed by SMS 2 January 2018, asked 'Would you support or oppose nationalising Britain's railways?', **60%** said they supported nationalisation.[37]
- A BMG poll from June 2018 showed that **64%** of respondents supported renationalising the railways.[38]
- As recently as 17 January this year, a petition was handed in to the DfT calling for renationalisation with 120,000 signatures on it.

[32] https://yougov.co.uk/topics/politics/articles-reports/2013/11/04/nationalise-energy-and-rail-companies-say-public
[33] http://d25d2506sfb94s.cloudfront.net/cumulus_uploads/document/45cxqhtvw7/YG-Archive-Pol-Sunday-Times-results-140509.pdf#page=6
[34] https://survation.com/wp-content/uploads/2014/06/RMT-Rail-Ownership-Poll-Tables1.pdf
[35] https://weownit.org.uk/blog/rail-privatisation-success-or-failure
[36] https://d25d2506sfb94s.cloudfront.net/cumulus_uploads/document/uufxmyd8qm/InternalResults_170518_nationalisation_privatisation_W.pdf
[37] https://interactive.news.sky.com/SMSRAILTABS020118.pdf
[38] http://www.bmgresearch.co.uk/the-independent-bmg-poll-widespread-support-for-renationalisation-of-railways-amidst-continued-disruption-to-services/

There therefore a consistent public consensus that the railway should be publicly owned and integrated.

Railway workers are even more of one mind than the public and passengers. **89% of railway workers responding to our survey said they believed that the current privatised system should be replaced with a publicly owned and nationally integrated railway.**

Public ownership: the benefits of valuing and investing in public assets

Stopping the inefficiency, fragmentation and leakage of public money into shareholder dividends that has accompanied privatisation is a good in itself. But nationalisation would also enable a perspective shift in which the whole system - rail, rolling stock and staff – could all be *viewed as public assets, to be invested in and function in the public interest.* Public ownership would enable us to build assets that work for Britain's people, both as a public service and as an employer, ensuring that our railways became an engine of national renewal.

In the document that follows we show how a publicly owned, integrated railway that valued staff as one of its core assets, could deliver a railway that is

- affordable, reliable, safe and accessible;
- constantly improving and innovating
- protecting and enhancing the environment
- creating good jobs and positive industrial relations;

A railway that's affordable, reliable, safe and accessible

An integrated and publicly owned railway would be better equipped to meet the core needs of those who use the railways. According to TransportFocus, passengers most want **better value for money, a seat and a reliable, punctual service**. Yet the privatised railway service can only create profits by raising fares, cutting staff costs and sucking up public subsidies. Passenger fares go up to sustain the profit model of the franchises, all massively subsidised by the taxpayer and accounting trickery. The fragmented railway system that arises from private ownership is incapable of coordinating itself efficiently. A publicly owned railway could enable transparent costing and the development of a sustainable funding model in which all public investment went into improving the service and its real efficiency, balancing the needs of passengers and taxpayers.

Integration and reliability

A survey conducted by *Transport for Quality of Life* (TfQL) has shown the ways in which passengers experience the fragmentation caused by privatisation including,

- Wasted hours trying to navigate the myriad of different tickets;

- Passengers can be caught out and feel criminalised by the different rules on different parts of the railway;
- Wasted time trying to find correct and relevant information in the complex system;
- Feeling abandoned when parts of the network break down and spare capacity is not used because it is owned by a different company;
- Connections between different parts of the service will not wait because of the performance targets and blame culture within which different companies operate;
- Failure to get redress for the grievances as companies attempt to shift blame onto one another.[39]

This helps to explain **why 92% of passengers responding to TfQL's survey said they believed that the railway would work better if it was reunited in a single organisation**.[40]

> "Trains aren't able to be held for 1 or 2 minutes to make connections for onwards journeys."
>
> "Customers are frequently confused about the array of tickets offered by multiple TOCs (train operating companies)."
>
> "There is no incentive to get the service running for passenger satisfaction."
>
> "Franchises don't care about customers connections if they are with a different company"
>
> RMT railway workers, May 2019

A single, integrated railway would enable us to build a network that functioned as a whole in its daily operation, with train operators and network all focused on moving passengers smoothly from one end of their journey to the other as simply as possible.

Safe and accessible

An integrated, publicly owned railway would be able to invest in properly staffing trains and stations. In their search to extract profit from our railways, train operating companies have cut ticket offices, refused to staff stations sufficiently and have attempted to cut them from trains. In 2015, a Rail Delivery Group report said that around 44% of all stations were completely unstaffed and while a further 45% were unstaffed at some times of the day. This means that 89% of stations will be without staff at some parts of the day even though trains are operating.[41]

Yet it's clear that this is not what the public and passengers want. As *TransportFocus* have said **'All our research indicates passengers really like the re-assurance only the**

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[39] *Rail Devolution with National Integration: a model for consultation,* Transport for Quality of Life, 2017, p. 7.
[40] *Rail Devolution with National Integration, p. 9*
[41] On track for 2020: The future of accessible rail travel (Rail Delivery Group, May 2015), https://www.raildeliverygroup.com/about-us/publications.html?task=file.download&id=469772981, p. 30.

presence of staff can bring. Taking staff away from stations would represent a very short-term, short-sighted saving.' [42]

The move toward Driver Only Operation (DOO) of trains is similarly motivated by the need to turn a profit. As one rail industry report put it, 'the best solution, in pure economic terms, is to **make all guards compulsorily redundant and to run trains with mostly single person operation, with occasional ticket checks. This results in a large salary saving from a reduction in staff levels**'.[43]

> "The recent dispute with guards on the trains. This was purely and simply down to money and had no interest in the safety of the travelling public, elderly, disabled or anyone who just might need assistance on the train or when boarding it."
>
> RMT railway worker, May 2019

Train companies and government have pushed for DOO in spite of its effects on safety and accessibility.

- In May 2016, the Rail Safety and Standards Board (RSSB) noted that the move toward DOO trains **'may increase the likelihood of an event occurring or increase the severity of its consequence'**.[44]

- In a letter to the Transport Committee of MPs, the Equality and Human Rights Commission (ECHR) said that it was concerned about the 'impact of ongoing transport policies', and 'in particular the move to driver only operated (DOO) trains, as well as reductions in staffed stations'. The Commission said that it believed '**the shift to DOO trains, with the increased likelihood of there being no second member of staff on board to assist passengers, and a decrease in staffed stations could represent a diminution of protection for disabled people, and potentially a breach of the Equality Act 2010'.**[45]

- The government's own Disabled Persons Transport Advisory Council (DPTAC) had warned in April 2016 that, **"the toxic combination of driver-only operated trains and unstaffed stations fails to deliver a service that meets the needs of many disabled passengers."**[46]

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[42] *Passengers Perceptions of Personal Security on Public Transport*, Independent Social Research 2009,
[43] Evaluating technological solutions to support driver only train dispatch https://abcommuters.files.wordpress.com/2016/11/rssb-report-on-doo.pdf, p. 50.
[44] http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/transport-committee/railways-update-with-the-rail-minister/oral/101815.pdf Evaluating technological solutions to support driver only train dispatch, RSSB 2015, https://abcommuters.files.wordpress.com/2016/11/rssb-report-on-doo.pdf, p. 61
[45] ECHR letter to Lilian Greenwood MP, Chair of the Transport Committee, 5 February 2019.
[46] For the evidence that disabled people would like to use rail more, see https://webarchive.nationalarchives.gov.uk/20120215090904/http://assets.dft.gov.uk/publications/railways-for-all-

- Even the Rail Delivery Group (RDG) has admitted, '**Policies to reduce staff numbers at stations and on trains risk undermining the levels of accessibility that improvements to rolling stock and stations have delivered in recent years.'**[47]

Every survey and every report recognises that staffing of stations and trains is the most important element in providing an accessible railway.

It would be relatively simple to stop the TOCs undermining accessibility for disabled people. Every TOC is supposed to have a Disabled People's Protection Policy (DPPP) in place to ensure that they meet their obligations under the Equality Act 2010. This is overseen by the Office of Rail and Road. If the ORR were to make it a requirement of all DPPPs that there should be a second safety critical staff member on every train and that TOCs should be prevented from de-staffing stations, this would effectively demonstrate that both regulator and train operating companies understood and took seriously their duties under equality legislation. Yet the ORR claims that it is not in its remit to determine staffing levels. This reflects the wider problem that we've already seen – the fact that the body responsible for promoting accessibility and equality is funded by the railway companies themselves and is simultaneously tasked with promoting market competition.

It is a rank absurdity that both the interests of disabled people and the task of ensuring that train operating companies are acting in line with their equality duties are entrusted to a body that is also tasked with promoting competition and funded by those same companies. How can an equality regulator make any impartial judgment on policies being implemented by the people who fund it in the name of 'value for money'? Whatever the Williams Review's report says about the mess that is our privatised railway system, it must put an end to this regulatory scandal. Whatever succeeds the ORR as a regulator must not be funded by the rail industry and cannot be given responsibility for monitoring equality or health and safety.

The deeper problem, however, is that that the privatised system is geared toward finding ways to cut staff costs and the compromised regulatory apparatus on the railways is completely incapable of counteracting this drive.

RMT members are clear that they expect the private companies on the railways to continue to try to cut jobs and conditions. **80% of railway workers who responded to RMT's survey said they thought their company would try to increase profits at the expense of jobs and conditions.**

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strategy/railways-for-all-strategy.pdf; The DPTAC letter can be found here: https://abcommuters.com/wp-content/uploads/2018/07/dptacs-warning-letter-to-peter-wilkinson-april-2016.doc

[47] On track for 2020: The future of accessible rail travel (Rail Delivery Group, May 2015), p. 6 https://www.raildeliverygroup.com/about-us/publications.html?task=file.download&id=469772981

"Catering, maintenance of trains, safety and communication equipment on-board trains have all been neglected due to cost."

"The company has had a massive reduction in ticket office clerks. This is putting passengers last. It has caused very long waiting times at the ticket office but the company doesn't seem to care."

"Constantly trying to deskill and undermine the role of the Guard, outsourcing of revenue and security functions to zero hours agency staff, outsourcing of catering, increasing pay disparity between grades, using cheap illegal recruitment methods."

"Each new owner finds another way of sucking profit out and usually staff numbers and/or conditions are the first things targeted."

RMT railway workers, May 2019

Yet there is clear public support for, as well as a clear public interest in, creating *more jobs* on the railway. As even the current rail minister recently admitted, **'Customers like to see a second person on the train. It helps with the feeling of security on the train. It enhances customer service.'**[48]

An integrated, publicly owned railway would be able to put the idea of promoting equality at its heart. Taking the profit motive out of the railways and viewing staff as an asset would enable an integrated publicly owned railway to invest in creating **more new jobs, supporting a safer, more reliable, more secure and more accessible railway.**

A railway that is constantly improving and innovating

On our privatised railway, innovation and improvement have been held back by the primary need to generate profits. This is why we have ageing rolling stock, technology brought in to with the express intention of cutting staff costs and innovation held back by competing interests. Public subsidies are injected on a short-term 'feast and famine' basis around headline grabbing targets and lost in the fragmented mess of companies. Resources of skill and experience are lost as jobs are cut, de-skilled and fragmented.

Integration, skills and railway knowledge

As academic Jean Shaoul has written, privatisation had a devastating effect on the knowledge base on the railways:

> "…one of the most devastating consequences of the privatisation process was the fragmentation and loss of industry knowledge. Running a railway – making decisions about investment, timetabling, safety, workforce deployment – requires an intimate acquaintance with changing infrastructure conditions, technological possibilities and service requirements throughout the network, that in the case of British Rail was

[48] Andrew Jones, Transport Committee, Oral Evidence, 8 May 2019,

> held collectively by its workforce and managers and brought to bear upon decision-making through systems of cooperation and communication at all levels of the industry.
>
> This organisational knowledge base, never wholly centralised and much of it effectively tacit, was dissipated with the breakup of the industry. Many highly skilled engineers who knew things about the railway network that no one else did lost their jobs; some hired that knowledge back to the industry as private consultants. Habits of information sharing and freely given advice were interrupted by the requirements of commercial confidentiality. Hard-won accumulations of local and specialised knowledge were lost in the shift to an increasingly casualised and individualized workforce."[49]

Within a single, integrated, publicly owned railway that viewed staff as an asset, it would be possible to start to rebuild that knowledge and skills base.

In 2003-4 and 2014, the publicly owned Network Rail brought back in-house maintenance and some high level renewals, recognising that this brought huge benefits to the staff and made it easier for them to do their jobs. As NR's chief executive Ian Coucher put it in 2004, **'they are co-located, they talk together, they plan together, they share problems together, they fix problems together and they just get on and do it. The contractual barriers fall away, they are now all on the same side and they just get it fixed.'**[50]

This also saved money, as the McNulty report was forced to admit. NR's maintenance and operation costs peaked in 2003-4, after which **bringing these functions back in house contributed to NR saving £1.1 billion by 2011.**[51]

A single, integrated, publicly owned company could bring back in-house the thousands of cleaning, catering, ticketing, gateline and facilities management staff whose jobs are currently outsourced to various companies on our railways. It would be able to create the similar efficiencies across to those seen in NR across the entire network. It would also be able to engage in proper workforce planning and negotiate changes with unions to ensure that people were able to develop the skills necessary to provide the best possible public service, rather than leaving employment in the hands of companies who attempt to destroy good jobs in the interests of their shareholders.

These benefits help to explain why a staggering **91% of railway workers responding to RMT's survey said they believed that the railway would work better as a national single unified organisation, rather than as separate companies.**

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[49] Jean Shaoul, *Renaissance delayed? New Labour and the Railways* (Catalyst, 2004), p. 19.
[50] https://www.railwaygazette.com/news/single-view/view/uk-brings-infrastructure-maintenance-back-in-house.html
[51] McNulty, p. 13

"Everyone would have a common goal."

"I would be able to offer a 'joined up' approach during disruption and ticket sales would be much more inclusive and straight forward."

"All departments would communicate better and have a greater understanding of the work that needs to be done."

"I believe that as part of an integrated, publicly owned railway, I'd be able to give better customer service to passengers as I'd be part of the same company that was operating the trains and could be 'in the loop' with regards to train running information."

"There would be a single point of contact for all information and advice, and a single body to contact if a problem arose, instead of being passed from one to another."

RMT railway workers, May 2019

Integration and innovation

A publicly owned and integrated railway would be able to sidestep the problems that have stood in the way of the wider introduction of nationally coordinated ticketing solutions. As Transport Select Committee MPs noted in 2007, "**the structure of the transport industry….is competitive and fragmented. This makes long-term planning more difficult and investment more risky**.[52]

Integrated public ownership would also facilitate more coordinated and more efficient investment in railway engineering and rolling stock. As even McNulty recognised, **'multiple franchises and low procurement volumes…have driven a high level of diversity in vehicle and sub-system types. This increases development, maintenance and spares costs**'.[53]

An integrated and publicly owned railway would allow the development of nationally coordinated and programmed rolling stock procurement. A national centre of railway innovation could be established on the model of British Rail Engineering, working with the university sector on a new generation of rail engineering projects.

[52] https://publications.parliament.uk/pa/cm200708/cmselect/cmtran/84/84.pdf, p. 13.
[53] McNulty, p. 236.

> "All profits should go back into upgrading the railway industry i.e. stations, rolling stock, upgrading track and major projects."
>
> "The railway would no longer be run on a shoestring to ensure bumper profits. Innovation and excellence would be rewarded, all to ensure the best possible service for the passenger"
>
> RMT railway workers, May 2019

A railway that protects and enhances the environment

A publicly owned and integrated railway would support the aim of reducing carbon emissions from transport as well as easing congestion and creating greater safety on the roads. Rail freight has a key role to play in the low carbon economy as rail produces 76% less carbon dioxide emissions than the equivalent road journey.[54]

Settling the funding of a publicly owned and integrated railway on a longer-term basis would allow for the development of a properly planned, steady and phased transition toward a properly electrified passenger network supported by a properly upgraded power grid, as well as a long-term solution to the need for diesel power in freight.

A nationally integrated railway would enable greater mode shift between roads and rail. The costly system of track access charges and the competing interests of passenger and freight companies could be abolished, enabling the greater coordination of both services across the network.

A publicly owned railway that wasn't focused on generating shareholder dividends could reinvest in fare discounts to encourage a new generation of people using the railways. It's been estimated that it would cost around £31 million per year to fund free rail travel for under 16s in England. This would help encourage mode shift onto the railways.

An integrated railway at the heart of a national transport strategy could invest in proper intermodal freight exchanges that would enable Britain to build a proper multi-modal freight system centred on rail and enabling a decisive shift away from road haulage.

A railway that creates good jobs and positive industrial relations

A publicly owned and integrated railway would be able to view its staff as an asset to be invested in, involved and drawn on. It would also enable the building of constructive and positive industrial relations.

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[54] Freight on Rail, http://freightonrail.org.uk/FactsFigures.htm

Privatisation, fragmentation, attacks on staff and adversarial industrial relations

Privatisation has been a disaster for staff. Countless skilled and experienced workers have left the sector and employers have attempted to deskill, downgrade, fragment and outsource jobs on the railways. Train operating companies outsource cleaning, catering and customer service jobs and these workers are often employed on low paid zero hours contracts or employed through agencies. The drive to extract profits by cutting jobs and pressing down on staff pay and terms and conditions creates anger and resentment. To this resentment is added the fact that the multitude of different employers on the railway creates major variations in pay and conditions.

The rail unions have to negotiate with a multitude of companies, all of them viewing staff primarily as a cost. As the McNulty report acknowledged this fragmentation generated adversarial and chaotic industrial relations, resulting in more disruption for passengers. McNulty said **it was vital to establish 'meaningful dialogue' with trade unions.** Hypocritically, he then advocated an all-out attack on jobs[55]

The role of government – shoring up the franchises and attacking staff

The response by government since the McNulty report has been to try to shore up franchisees profits by attacking unions' ability to defend their members and then shielding companies from the financial consequences of disputes.

Indemnification clauses in franchise agreements or 'fee based' franchises like that on Southern railways have effectively removed incentives for companies to reach agreement by guaranteeing that companies will not feel any loss of fare revenue ensuing from any dispute. DfT officials like Peter Wilkinson have made clear the role of the Department, talking about 'pushing' rail workers into 'punch ups' and then starving them back to work.[56] The 2016 Trade Union Act was supposed to put further barriers in the way of rail unions in particular. Such are the levels of anger on the railway, however, that RMT consistently achieves the required ballot thresholds for legal industrial action. The 2017 Conservative election manifesto referred to working with train companies **to 'agree minimum service levels during periods of industrial dispute – and if we cannot find a voluntary agreement, we will legislate to make this mandatory'**.[57]

RMT trusts that the Williams Review's report won't revisit this ill-advised and deeply inflammatory idea. After the hugely damaging Southern Rail and Northern disputes, the last thing passengers need is for the government and the industry to get themselves locked once more into conflict with the unions because they are fixated on trying to make hard-working railway staff pay for the failures of their privatised railway.

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[55] *Realising the potential of GB Rail: final independent report of the rail value for money study* (May 2011), p. 208.

[56] 'Rail official apologises over 'punch-ups with train drivers' comment', Press Association, 26 February 2016.

[57] https://issuu.com/conservativeparty/docs/ge2017_manifesto_a5_digital/1?ff&e=16696947/48955343, p. 60.

A new model for industrial relations and a new approach to jobs

It is time to put an end to this insanity. The sector and the government need to open a new page in industrial relations. RMT believes that there would be significant gains not only for the workforce but also the industry as a whole if there was a return to integrated national bargaining. This would be theoretically achievable today, but undoubtedly far easier and more effective in a single, integrated railway system.

We asked railway workers for their views and **almost 80% said that they believed rail nationalisation would lead to better industrial relations.**

> "We will all be working for the same thing – to run trains for the travelling public."
>
> "One company, one service. Can only improve relations."
>
> "Rail nationalisation is the only way to better industrial relations."
>
> "Harmonisation across all networks, better investment in working conditions."
>
> RMT railway workers, May 2019

Nor do we have to imagine what that would industrial relations on a single, integrated nationally owned railway would be like. According to official statistics**, in the period 1980-1994 under British Rail there were only two disputes that involved the majority of rail workers and only one of these was in pursuit of an improved pay award**.

A single, integrated publicly owned railway could negotiate with the unions a single set of sector-wide roles, grades and pay rates for a future railway. This would take many of the justified grievances out of the railway. It would also be possible to agree training that would enable workers to build and develop lifelong careers, accumulating skills and experience and moving within the railway. This would mean that the railway would benefit from the tacit knowledge and skills that are built up by workers over time and which is currently frittered away by the short-term, hire and fire approaches of competing private companies.

Procedures could be negotiated to enable the agreed staffing arrangements that would complement the introduction of technology in ways that don't simply destroy good jobs and which genuinely serve the public interest rather than those of shareholders.

Public ownership would also allow the eradication of obvious but deeply felt inequities in employment. For example, staff employed after privatisation do not receive travel facilities for the whole network in spite of the fact that this would be inexpensive to remedy.

Railway workers feel deeply about the inequality of access to travel facilities. **95% said that all railway staff should receive travel facilities across the whole network.**

> “We all work for the same railway, we all work towards the same goal. We are all part of the railway, not our individual companies.”
>
> “Companies could easily agree reciprocal free travel, that they don’t shows they don’t want to.”
>
> RMT railway workers, May 2019

Public rail supporting industrial renewal

A public interest railway could also play a key role in wider renewal in Britain’s manufacturing base. The current system, with its mess of TOCs and ROSCOs all pursuing their profit margins, does little to guarantee that rolling stock manufacture will take place in Britain. This means that the fate of manufacturing workers at Bombardier or Hitachi’s British plants constantly hangs in the balance.

Conversely, the ‘feast and famine’ approach to rail investment creates instability among Network Rail’s suppliers. NR has had £35 billion allocated for track maintenance and renewal for Control Period 6, and many suppliers, including thousands of SMEs, are dependent on renewals contracts, for which they have to bid every five years.

A publicly owned railway engaging in planned and phased investment in projects like electrification, intermodal freight terminals, new rolling stock and track maintenance, renewal and enhancement would make it easier to establish long term contracts with manufacturing, maintenance and refurbishment companies in the railway supply chain. This would help support the creation of more stable employment and better jobs throughout the railway supply chain and help renew Britain’s manufacturing base.

Democratic and accountable to workforce, users and the public:

Everyone understands that the UK’s railway network is broken. The chaos created by the TOCs, FOCs, ROSCOs, the ORR and the DfT means that system-wide meltdowns like the May 2018 timetabling fiasco are never far away. On a micro-scale, the passenger seeking redress for their missed connection can regularly find themselves battling the inter-company blame culture on our fragmented network.

The incompetent attempts by the DfT to micro-manage the railways, the murmuring about reinventing the Strategic Rail Authority (SRA) and the enthusiasm among devolved bodies to take greater control of franchising are all symptoms of this widespread recognition that the system is broken. Even the Rail Delivery Group know that the game is up. Their submission to the Williams Review calls for a ‘new independent organising body which removes the politics from the running of the railway as far as possible’, able to ‘join up decisions’, ‘make sure customer needs are prioritised’ and ‘hold the industry to account’. They also nod to devolution and bringing ‘decisions about local services closer to home’: ‘Where appropriate, for example, in larger city regions which serve commuter markets, customers would benefit from local transport bodies being given more power to design and specify local services'.[58]

This should be seen for what it is - a desperate rear-guard action against real public control of the railways. Their magical independent organising body, seemingly a reinvention of the defunct SRA, will somehow be able to counteract all the effects of the private companies' drive to extract profits from the railways, while the devolution they propose does not extend to granting devolved bodies the right to run services under public ownership. For the RDG, the great unquestionable assumption is that at all costs, the private companies that are sweating our railways must be left in place. Their solutions are mere mirages of control conjured up as part of an attempt to distract the public from the case for the real control that comes with public ownership. We trust that, whatever its wider recommendations, the Williams Review report will recognise that talking about 'devolution', without giving devolved bodies the power to choose public ownership is in fact no devolution at all.

A single, integrated publicly owned railway would be genuinely democratically accountable. The public will continue to be the main contributor to the railways and it is right that the railways should be accountable to the people, through Government and Parliament. It should also be accountable to users and its workforce, with representation at all levels for both stakeholders. A publicly owned railway would also be able to work more effectively with devolved bodies to secure what they really want: not to have to run franchises themselves but to work with a publicly owned railway to specify local rail services.

Finally, a genuinely democratic and accountable railway will also be more efficient. A single body, with its component parts working together, will be able to leave the targets and blame culture behind and become more transparent in establishing where problems lie, working out how they can be solved, learning lessons and improving.

[58] *Changing Track: proposals for a more customer-focussed, joined-up and accountable railway* (Railway Delivery Group, April 2019), pp. 48, 72.

"One accountable entity would focus all people in the railway on the goal - Running an entire rail network. Failures, delays and standards would be for everyone's consideration. Everyone would be judged together therefore everyone would be responsible to the passengers leading to improvements because everyone would have to work together."

"[We'd see] trains run for the good of passengers and not for profits ticket money going back into the railway and not shareholders pockets Staff out at stations and on the track rather then sat in offices fighting over who had delayed what and who will pay for it"

"The public will have a greater say on how the railway is run as well as knowing the profit the railways creates will go back in to railway to deliver better services, better upgrades to the network and better trains"

RMT railway workers, May 2019

Conclusion

The verdict on privatisation is in. It has failed and it is more than time to end this prolonged experiment at the expense of service users and railway workers.

In the words of one of our members, one of the workers who keeps our railways going day in and day out, 'the railways should be for the travelling public, should be affordable and should be constantly invested in, keeping Britain's railway and its infrastructure safe, modern and affordable. Not for shareholders, not cutting services, not cutting safety and lacking in investment.'

The Williams Review is an opportunity to turn a new page on this sorry episode, not with yet another cosmetic makeover or another reshuffling of the fragments dressed up as reform, but with a real recognition that the future of UK rail lies in public ownership.