A Fare Return: Ensuring the UK's railways deliver true value for money

Summary

Focusing heavily on profitability has for too long diverted attention away from important strategic questions that should be answered. What are our railways really for? And how can they deliver the best value across the 'triple bottom line' of social, environmental and economic outcomes?

A large part of the McNulty review has involved examining rail services elsewhere in Europe, to see what lessons can be learned. This report, commissioned by the RMT union, is in a similar vein. It seeks to quantify the value for money offered by the UK's rail system and compare this with the experience of four other European countries of a similar size, demography and economic status – France, Germany, Italy and Spain.

While McNulty's remit is to compare the cost of the UK's railways with those in other countries, this report goes further. It looks at the relationship between costs and outcomes, emphasising the importance of an expanded concept of value for money that reflects the full spectrum of what passengers are looking for from the railways, and what is good for society and the environment

Compared to the publicly owned railways that we have examined in other countries, the UK's privatised rail system lags behind on a range of outcomes. By constructing an index that evaluates these outcomes in relation to levels of public subsidy, we have found that the UK is the poorest performer by some distance. Our figures show that UK rail services are:

- Less affordable
- Less comfortable
- Slower
- More inefficient
- Less environmentally friendly.

Across a range of indicators, the frequency of trains is the only area in which the UK performs better than its comparators.

Rank	Fares	Frequency	Electrification	High Speed Rail	Passengers to seats	Freight market share
1	France	UK	Germany	Germany	Italy	Germany
2	Spain	Spain	Italy	Italy	France	France
3	Italy	France	Spain	Spain	Germany	UK
4	Germany	Italy	France	France	UK	Italy
5	UK	Germany	UK	UK	Spain	Spain

In terms of 'bang for buck', not only does the UK come bottom of the index of outcomes but it also spends a relatively large amount of money to achieve this woeful result. This means that it also comes bottom of the 'value for money' league.

Our under-performing railways carry a considerable cost both for passengers and for the public purse. Our calculations show that a more affordable, more comfortable and faster railway would generate a staggering £324 billion in social value (£9.2 billion a year) between now and 2050. This is the equivalent of £7 of value per average journey in that period.

We also estimate that the social, economic and environmental benefits of achieving a modal shift from road to rail – in terms of reduced congestion, accidents and emissions – could potentially reach £154.8 billion by 2050.

When we combine this estimate with our previous figures showing improved outcomes for passengers, we calculate that the total social value of the strategic shift that we propose in this report is in the region of £479 billion. The following table gives a breakdown of the values. Over a 35-year period it translates into £479 billion, or an annual average of over £13 billion a year.

The potential social, economic and environmental value of better railways, 2015 -2050 (£ billion)		
Outcome	**Total value over 35 years**	**Annual average**[1]
Affordability	162	4.6
Comfort	104	2.97
Road congestion	73	2.08
Speed	58	1.65
Climate change	54	1.54
Road accidents	27	0.77
Total	**479**	**13**

[1] This figure would of course vary significantly over this period, as the annual values vary and are reduced by the discount rates applied.

The other countries that we have examined – and in particular France, which tops our index – demonstrate the potential benefits of integrated management and public ownership, coupled with long-term sustained investment.

The McNulty report is right to highlight that the cost of the UK's railways has increased significantly since privatisation and that a lack of leadership and a clash of duplicating and competing interests in the industry have contributed to this. Our research shows, however, that publicly owned, integrated railways *can* provide better service and better value for money for taxpayers and passengers. It is now vital for the Government to act decisively to make an objective and transparent assessment of the best way to organise Britain's railways so as to maximise social, environmental and economic value.

It is clear to us – and most commentators agree – that the form of rail privatisation adopted in the UK left a lot to be desired. Alarmed by the spiralling costs that have followed privatisation, successive governments have initiated various reviews to explore ideas for reform – culminating in the current McNulty review. In none of these reviews, however, has a return to largely or wholly public ownership been treated as a serious option. We believe that it is time for the debate to reflect the huge societal costs associated with the current privatised model, and the many benefits a reorganisation of the railway might generate.

In its submission to the McNulty review the Association of Train Operating Companies recommended the break-up of Network Rail. This would mean a plethora of different companies competing to run the tracks and stations. Our research suggests this could be a very bad idea because it threatens to further fragment the railways, compounding some of the mistakes of privatisation. Any decisions regarding the value for money of the railways need to take account of the long-term social, economic and environmental benefits we have outlined in this report.

Authors

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