transport for quality of life

Rebuilding Rail

> interim findings September 2011 <

commissioned by: ASLEF · RMT · tssa · unite the UNION

Ian Taylor

ian@transportforqualityoflife.com

www.transportforqualityoflife.com

Quantifiable costs of privatisation & fragmentation

TOTAL COSTS	£1.2 billion	£11.3–11.7 billion
	Annual	Cumulative
Excess interest payment on Network Rail debt	£156m	£950m
Fragmentation costs		
Cost of interfaces between TOCs & Network Rail	£290m	not known
Network Rail: cost of outsourcing renewals / enhancements (& maintenance before 2003/04)	£200m	£2311m
TOC sub-contractors’ operating margins	£76m	£771m
ROSCO sub-contractors’ operating margins	£15m	£176m
Leakage		
Dividend payments: Railtrack	-	£709m
Dividend payments: TOCs	£227m	£507-1000m
Dividend payments: ROSCOs	£207m	£2520m
Sunk costs		
Underselling ROSCOs at time of privatisation	-	£1100m
Debt write-off, liability transfer to sell Railtrack	-	£2208m

What would that saving make possible??

18% off all fares

transport for quality of life

EU rules do not block reform

	EU rules now in force	EU rules if 'Recast' Directive adopted	EU rules if laws follow from 2011 Transport White Paper	What the UK has decided
Rail infrastructure must be privately owned?	NO	NO	NO	YES
Train services must be by private companies?	NO	NO	NO	YES
Railway infrastructure and train services must be run by different organisations?	NO	NO	NO	YES
Trains must be leased from private companies?	NO	NO	NO	YES
Domestic passenger services must be open to competition?	NO	NO	YES	YES
Railways must be regulated by a body that is not the Ministry of Transport?	NO	YES	YES	YES
Domestic freight services must be open to competition?	YES	YES	YES	YES
Railways must hold assets, budgets and accounts separate to those of the State?	YES	YES	YES	YES
Rail infrastructure manager must draw up separate accounts to train operator(s)?	YES	YES	YES	YES

EU rules do not block reform

	EU rules now in force	EU rules if 'Recast' Directive adopted	EU rules if laws follow from 2011 Transport White Paper	What the UK has decided
Rail infrastructure must be privately owned?	NO	NO	NO	YES
Train services must be by private companies?	NO	NO	NO	YES
Railway infrastructure and train services must be run by different organisations?	NO	NO	NO	YES
Trains must be leased from private companies?	NO	NO	NO	YES
Domestic passenger services must be open to competition?	NO	NO	YES	YES
Railways must be regulated by a body that is not the Ministry of Transport?	NO	YES	YES	YES
Domestic freight services must be open to competition?	YES	YES	YES	YES
Railways must hold assets, budgets and accounts separate to those of the State?	YES	YES	YES	YES
Rail infrastructure manager must draw up separate accounts to train operator(s)?	YES	YES	YES	YES

Rebuilding Rail 1: TOCs

- Doesn't need 'big bang' approach.
- Take franchises into direct operation as expire.
- Reclaim franchises from operators in breach.
- Use directly operated lines to show improvement under direct operation: lower costs; higher performance; greater passenger satisfaction.
- Train operations part of 'guiding mind' organisation
- Only consider buy out as last resort where critical routes offer re-integration benefits worth capturing in the short term.

Potential saving: £300+ million per year

Rebuilding Rail 2: Network Rail

- Make NR subsidiary to ‘guiding mind’ organisation.
- Accept and service the debt as public debt.
- Create an accountable structure – to Government ; to passengers; to staff.
- Take renewals and some enhancements in house.

Potential saving: £350+ million per year

Rebuilding Rail 3: ROSCOs

- Medium term aim to remove ROSCOs from the system.
- Purchase new stock directly from other sources, as part of an industrial strategy supporting UK rail manufacture.
- Negotiate lease price reductions in exchange for usage guarantees.
- Regulate the ROSCO oligopoly for fair lease prices.
- Create mechanism to claw back excessive profit.

Potential saving: £220+ million per year

transport for quality of life

At this time of austerity the case for public investment in UK railways must rest on providing the public benefit of a good rail service. Wastage and leakage of public monies due to rail's privatised structure should no longer be allowed to undermine this case.

Ian Taylor
01654 781358
ian@transportforqualityoflife.com
www.transportforqualityoflife.com