

Submission to the Williams Rail Review
On behalf of We Own It
31st May 2019

Executive summary

This submission aims to answer the claim that passengers don't care who owns their railway - they just want it to work. It will answer this in three parts. The first shows through polling evidence and analysis of the review paper 'Trust in the rail sector' that the public does feel that public ownership would improve their experience of the railway.

The second explains the benefits that a publicly owned model would bring.

The third and final part analyses railways in other countries to show that public ownership can be, and is currently, a successful model for running a railway that has passengers at its heart.

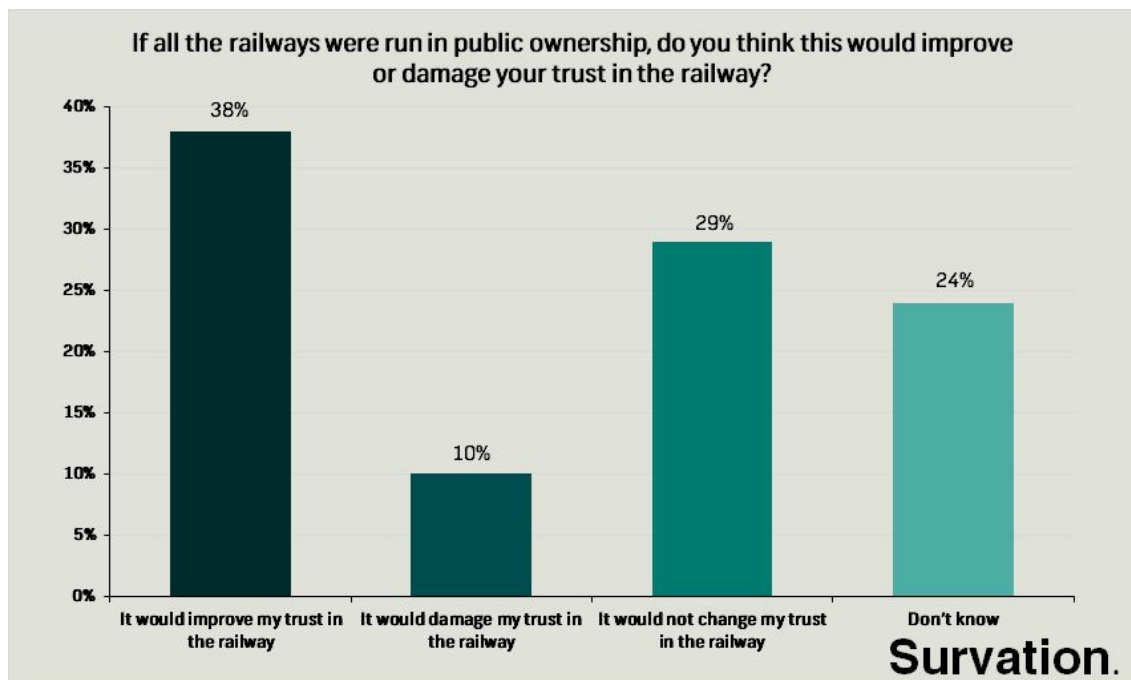
1. Putting passengers first

Mr Williams has spoken a lot in the course of this review about ‘putting passengers at the heart’ of the review and of the railways. But what does this mean? If it means listening to what passengers actually want, then the obvious answer is public ownership.

We’ve polled¹ the public on their attitudes towards rail privatisation, and in doing so we built upon your evidence from Britain Thinks. Their focus group research threw up some really interesting observations about what passengers understand and expect from their railway - but a few questions were left unasked. We’ve tried to fill the gaps.

Your evidence paper ‘Trust in the rail sector’ explains that trust is low because passengers don’t feel that they are ‘at the heart of the railway system’².

We asked the public if their trust in the railway would be impacted by a change of ownership. Overwhelmingly, they said that they would trust a publicly owned railway more.



Part of putting the passenger at the heart of the railway, according to your paper, is ensuring that they receive value for money.

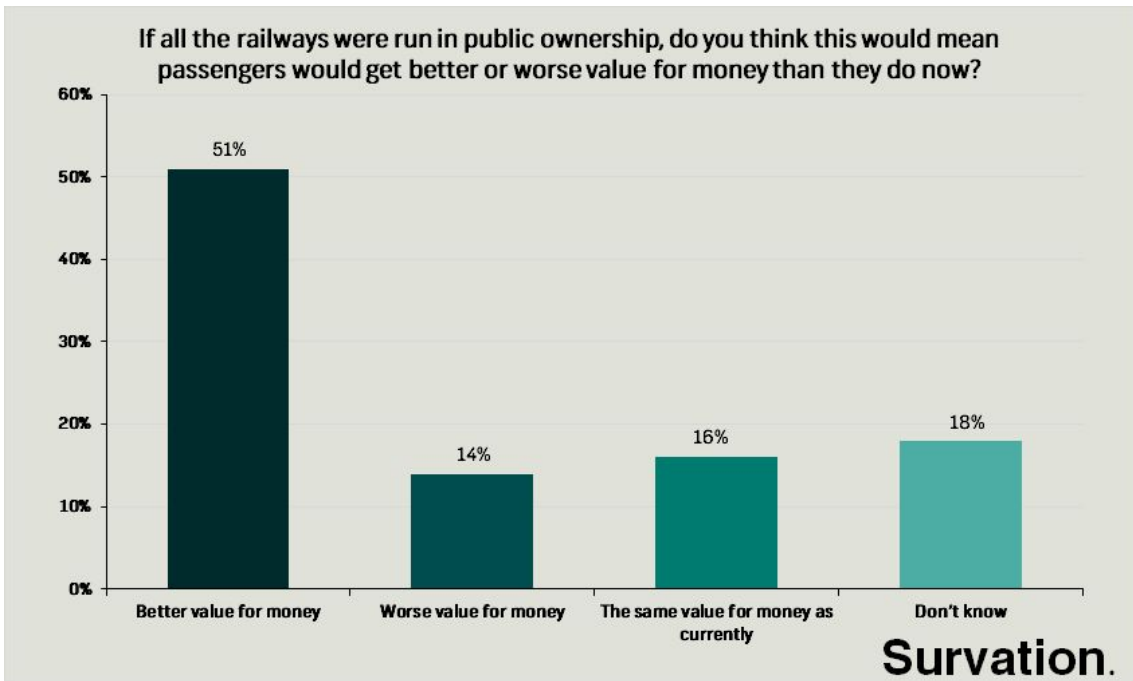
We asked the public if they felt that the value for money they receive would be different under a publicly owned railway. The majority of them again said that public ownership would improve the value for money of their train fares.

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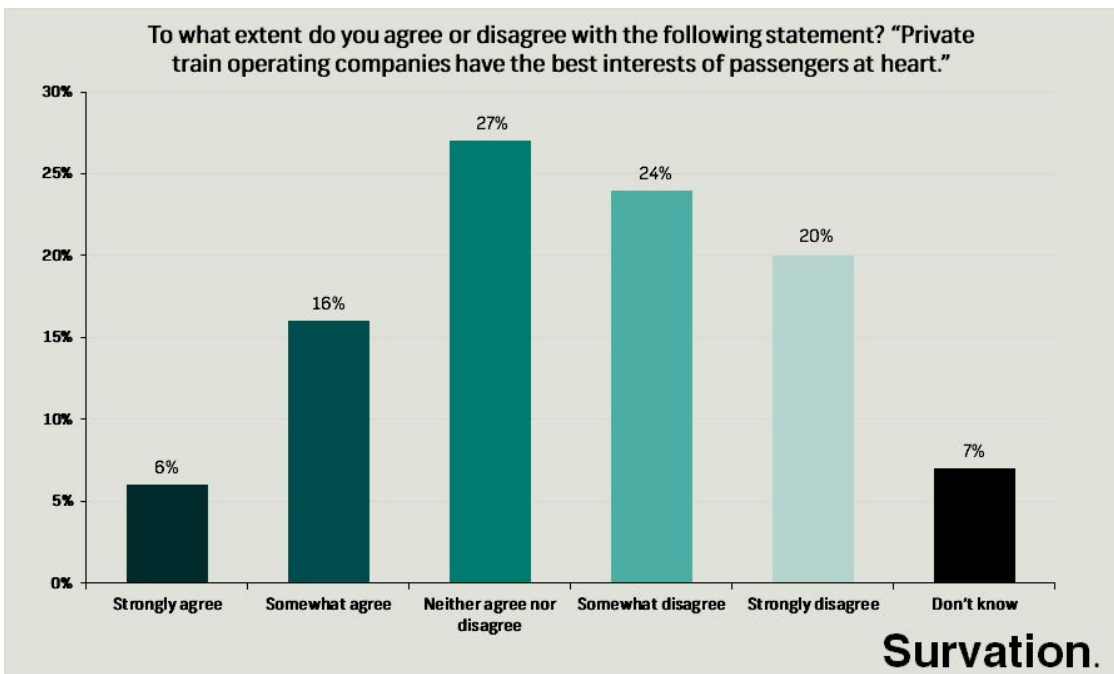
<https://www.survation.com/new-polling-reveals-public-support-for-running-the-railways-in-the-public-sector/>

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/797926/trust-in-the-rail-sector.pdf



We also asked whether passengers felt that private train operating companies had their best interests at heart. 44% felt that they did not, compared to just 22% who felt they did.



Fragmentation of the railway, which is made worse by forcing competition on certain routes, is the direct cause of this lack of trust in the rail industry. To illustrate this, here is an extract from an article in RAIL magazine³ by Ian Taylor of Transport for Quality of Life, on their research into the passenger experience of fragmentation:

³ <https://www.railmagazine.com/news/rail-features/exclusive>

...a litany of problems was described by those who make journeys across boundaries between train operators, or on parts of the network where multiple train companies operate. The overall impression was of an outpouring of anguish, confusion and frustration. Comments were highly consistent and can largely be summarised by six big themes.

- *Myriad ticket variants, instead of ease-of-use and simplicity.*

Result: *Passengers waste hours trying to work out the best ticket, feel frustrated at the end of it all, often feel they still don't have the best ticket, resent the system making it so hard, and feel it is designed for the train companies rather than the passengers. Many give up and travel by other means.*

- *Different rules (for example - peak/off-peak) on different parts of the railway.*

Result: *Passengers are often caught out and treated as criminals. Some get very anxious. Some therefore avoid making train journeys, because they fear getting it wrong or find it all too stressful.*

- *Misinformation or lack of information, due to breaks in the system or complexity.*

Result: *Passengers waste time and energy trying to find information (often the information requirement itself arising from complexity of the system). They find their journey stressful as a result, and when they find information about one part of the system cannot be provided by another part, or find that information is wrong, they feel upset and aggrieved.*

Result: *Passengers have increased journey times - in some instances they pay more to take an alternative train company's service for the continued trip. Some lament not travelling by car or coach.*

- *Failure of the railway to take a responsibility for getting the passenger to their final destination.*

Result: *When journeys don't go according to plan passengers feel abandoned, let-down, charged for bad service, and in some instances see that alternative capacity on the rail system is not being used to help them (or is explicitly forbidden to them). Some feel inclined (or forced) to switch to other modes of transport. Disabled passengers have a horrendous time when bits of the system supposed to assist them fail to link up.*

- *Trains that could easily be held to connect with slightly late-running services rarely wait.*

Result: *Passengers have increased journey times, in some instances pay more to take an alternative train company's service for the continued trip, and some lament not travelling by car or coach.*

- *When passengers seek redress they fall between parts of the railway that blame one another.*

Result: *Insult is added to injury, with the consequence that passengers feel under-valued and exploited.*

2. What works - is ownership important?

It is clear that the public wants a publicly owned railway, and that public ownership would directly improve their trust and faith in the rail industry. But others have made the argument that what passengers really want is a railway that works - regardless of ownership.

This argument is flawed for two reasons. Firstly, evidence shows that the public wants public ownership regardless of what works - i.e. there is a principle-based argument for public ownership that resonates strongly with passengers.⁴

Secondly, public ownership will directly create the conditions for the railway to function well. Privatisation has led to fragmentation, which is the cause of most of the problems on our railway. It is impossible to force a competitive market to operate within the railway without making fragmentation much worse. The current system of forcing competition *for* the market has clearly failed, as Mr Williams has stated publicly.⁵

The railway is one of those essential, national, public services where competition is not possible, or desirable. But a national private monopoly would be a complete disaster for accountability, cost efficiency, and the public interest.

Public ownership - and a long-term, strategic plan that guides the whole network - is the only model that can create a unified, well-run railway that works for passengers and the wider public.

Public ownership is more efficient

- Ending the fragmentation of the franchise system and replacing it with a single, unified organisation will save millions every year on efficiency costs.
- Simple, cooperative solutions, like transferring newly trained drivers to drive trains on different areas of the network when there is a staff shortage, will mean fewer trains are delayed or cancelled.
- Transport for Quality of Life estimates that there are £0.3bn in efficiency savings to be made every year by bringing the railway together into one organisation.

Public ownership saves us money

- Subsidies have tripled since privatisation.⁶
- Profit margins for Train Operating Companies are around 2% - but in real terms, this is a significant amount of money that could be used to upgrade stations or rolling stock.
- Profit margins for rolling stock companies are much higher - figures range from an average of 16.7% a year⁷, to short term profit margins of 60%⁸

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<https://yougov.co.uk/topics/politics/articles-reports/2015/03/12/nationalisation-ideology-beats-pragmatism>

⁵ <https://www.bbc.co.uk/news/business-47378448>

⁶ <https://fullfact.org/economy/how-much-does-government-subsidise-railways/>

⁷ <https://www.mirror.co.uk/news/uk-news/foreign-backed-investors-pocketing-200m-11000578>

- Transport for Quality of Life estimates that along with the £0.3bn saved in efficiency costs, if we brought the railway into public ownership we'd save £0.7bn that would otherwise have gone to shareholder dividends⁹

Public ownership is accountable - and not just to passengers

- Public ownership should be designed to take into account the views and experiences of passengers, staff and the wider public.
- Anyone affected by train travel, whether they commute every day, or live near a railway line, should be able to make their voice heard.
- In our new report, When We Own It¹⁰, we outline a model for governance which makes sure that every stakeholder gets a say, by inviting staff, passenger representatives, and civil society organisations to take a seat on the board.
- Private train companies cannot be held accountable by their customers, as recent scandals around delay compensation and complaints procedures show¹¹. Real competition cannot exist on our railway, and so there is no way for passengers to exercise any control over their rail operator.

Public ownership allows us to plan for the long term

- Five- to eight-year franchises do not allow for effective strategic long-term planning, especially when these franchises are at risk of failing unpredictably before their natural end.
- Long term planning is essential in order to encourage a modal shift from cars to public transport, which has to be a crucial part of our effort to reduce our carbon emissions as a country.

Public ownership can be participative and innovative

- In our recent report, When We Own It¹², we set out a number of ways in which the public can participate in decision-making around their public services.
- Participation in essential public services is part of democratising our economy.
- Staff can work together with passengers to innovate and design a service that works for everyone.
- The people who know the most about how to run a good rail service, and what that looks like, are frontline staff and passengers. These people have ideas and need opportunities to make those ideas a reality. Innovation doesn't come from the private sector - it comes from people who know what problems need to be solved.

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https://www.transportforqualityoflife.com/u/files/120630_Rebuilding_Rail_Final_Report_print_version.pdf

⁹ <https://www.railmagazine.com/news/rail-features/exclusive>

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<https://weownit.org.uk/sites/default/files/attachments/When%20We%20Own%20It%20-%20A%20model%20for%20public%20ownership%20in%20the%2021st%20century.pdf>

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<https://www.independent.co.uk/travel/news-and-advice/train-companies-which-compensation-delayed-refund-how-to-claim-a8906066.html>

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<https://weownit.org.uk/sites/default/files/attachments/When%20We%20Own%20It%20-%20A%20model%20for%20public%20ownership%20in%20the%2021st%20century.pdf>

- Currently, the vast majority of rail staff feel that the company they work for is more interested in making a profit than providing a good service¹³. When the railway is in public ownership, staff can feel a real sense of pride in their workplace and their public service role.

¹³ <https://www.rmt.org.uk/news/rmt-railway-worker-survey/>

3. The international context

We can look to other countries' rail networks to see that public ownership works.

International examples show that public ownership of rail services is the norm, and leads to cheaper fares per mile. Of the European rail networks assessed in your paper *Current railway models: Great Britain and overseas*, Sweden and the UK have the most 'liberalised' rail network, allowing private operators and competition in more areas than other countries¹⁴. Britain's rail subsidies have tripled since privatisation¹⁵, and Sweden has seen similar cost increases to the state¹⁶.

This seems to imply that allowing private ownership does not save money - in fact, it increases the cost to the public of maintaining the rail network.

Despite this increased subsidy, unions in Sweden have complained of a lack of investment in infrastructure and rolling stock that has led to a loss in punctuality¹⁷. Britain has similarly seen the effects of low investment into infrastructure and rolling stock, with Northern Rail trains being infamous for their leaky, rattling carriages.

The obvious counter-example to this is Japan. Japan's railway is almost entirely private and operates at a profit (with the notable exception of the bullet train network which is heavily subsidised). This is due to the particular geography and demography of Japan - a large proportion of the population concentrated in small urban areas, and an incredibly high passenger density resulting from this¹⁸. Japan's private rail authorities (JRs) are vertically integrated, and regional, meaning that they can cross-subsidise less densely used routes. Another significant factor in the profitability of Japan's private rail is the valuable property portfolio of each of the regional companies. Developments including multistorey shopping centres and high-rise apartments have been built above train stations on JR land, creating more high-density passenger markets to use the railway¹⁹.

As we know, privatising the UK's railways has not led to profitability. As evidence submitted to this review by the Rail Delivery Group shows²⁰, this is because Japan and the UK have very different geography and population density. The Rail Delivery Group also point out that the practice of cramming passengers into trains in Japan to reach their incredibly high passenger density is unsafe.

¹⁴

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/797923/current-railway-models-great-britain-and-overseas-country-summaries.pdf

¹⁵ <https://fullfact.org/economy/how-much-does-government-subsidise-railways/>

¹⁶

https://www.transportforqualityoflife.com/u/files/120630_Rebuilding_Rail_Final_Report_print_version.pdf p53

¹⁷ *Ibid*

¹⁸

https://www.transportforqualityoflife.com/u/files/120630_Rebuilding_Rail_Final_Report_print_version.pdf p54

¹⁹ *Ibid*

²⁰ <https://www.raildeliverygroup.com/about-us/publications.html?task=file.download&id=469775087>

Further useful international comparisons can be found in Transport for Quality of Life's report 'Rebuilding Rail', 2012, p55-56:

10.10 Lessons for the UK

This review of how other countries have approached the provision of rail services suggests some important lessons for reform in the UK:

1. No other country in Europe took rail privatisation as far as Britain or created such a fragmented structure.

2. The countries in Europe that have been more enthusiastic about privatising rail have encountered similar problems to the UK, although to a lesser degree. Elsewhere in the world, New Zealand's failed privatisation, whilst far simpler than Britain's, records a similar story of private companies making large profits whilst the railway consumed large amounts of taxpayers' money.

3. Fares in Britain are markedly higher than for other European countries, even against trips made on high speed trains in other countries, despite a complexity of 56 British rail ticketing arrangements that makes its rail services much more difficult to use than those in Europe. These fares partly reflect structural costs in the UK rail system that are 40% higher than European comparators.

4. Rail infrastructure requires state financing. With the support of this indirect subsidy the general pattern is that long-distance rail services may be able to return a profit, but local services including commuter routes generally require direct operating subsidy. (Japan is the notable exception but only due to exceptional living densities and levels of overcrowding). For European countries where details are available, state financing for rail is programmed over periods of multiple years (typically 3-8 years), in some cases in the context of a much longer-term overall plan which looks 15-20 years ahead.

5. Other European countries generally operate their railways with a dominant publicly-owned train operator which has a semi-detached relationship to a publicly-owned rail infrastructure manager. This relationship may take the form of two separate state-owned companies (Spain, France, Sweden, Netherlands); separate companies within a state-owned group of companies (Germany, Italy); or divisions of a single state-owned company (Switzerland).

6. These countries have succeeded in operating this sort of structure within the context of EU railway laws. The EU Commission is challenging the way some countries have transposed EU rail directives into domestic law, but there is no prospect of any of these countries abandoning their basic railway structures in response, although it seems reasonable to predict that some may make adjustments to enable them to continue to claim compliance.

7. Regional governments in all other European countries (and Switzerland) have a major role in the provision of local rail services. This is the case even if the local trains are operated by the national state-owned train company and the financing of local services ultimately derives from national budgets.

8. A number of other European countries have been more successful than Britain at sustaining domestic train manufacturing. It is striking that these countries have also succeeded in investing in rail so as to substantially increase the size of their rail networks (whereas increased expenditure on rail infrastructure in the UK has to a large extent been directed at redressing post-privatisation neglect and consequent safety failings)

Appendix - polling summary

We Own It Summary Document

Sample size: 1002

Methodology: People aged 18+ in the UK interviewed online

Fieldwork dates: 16th – 22nd May 2019

Q1. Railway privatisation was introduced in 1994. Since then, passenger numbers have increased as more people use the railway, but fares have also increased. To what extent do you think that rail privatisation has been a success or a failure, on balance?

Privatisation has been a failure :	23%
Privatisation has been a partial failure:	20%
Combined Failure:	43%
Privatisation has been neither a failure nor a success:	13%
Privatisation has been a partial success:	17%
Privatisation has been a complete success:	5%
Combined Success:	23%
Don't know:	21%

Q2. What do you think would happen to rail fares if the railway was in public ownership instead of being privatised?

Fares would be much cheaper:	16%
Fares would be somewhat cheaper:	29%
Combined cheaper:	45%
Fares would be the same:	17%
Fares would be somewhat more expensive:	9%
Fares would be much more expensive:	10%
Combined expensive:	19%
Don't know:	19%

Q3. Do you think the railways should be nationalised and run in the public sector, or privatised and run by private companies?

Railways should be run in the public sector: 56%

Railways should be run in the private sector: 19%

Don't know: 24%

Q4. The Williams Rail Review is the most fundamental review into how the railways are run since the railways were privatised.

The review is looking at different options to improve our railways. One option is for the railways to be run in public ownership as an integrated network, in order to improve coordination across the railway system while removing private profits. Another is to allow more companies to run rail routes in direct competition with one another, in order to provide more options for customers and encourage companies to improve their service.

Which of the following would be your preferred solution?

The railway should be run in public ownership as a single network: 50%

Companies should be allowed to run rail routes in direct competition with each other: 29%

Don't know: 22%

Q5. If all the railways were run in public ownership, do you think this would mean passengers would get better or worse value for money than they do now?

Better value for money: 51%

Worse value for money: 14%

The same value for money as currently: 16%

Don't know: 18%

Q6. If all the railways were run in public ownership, do you think this would improve or damage your trust in the railway?

It would improve my trust in the railway: 38%

It would damage my trust in the railway: 10%

It would not change my trust in the railway: 29%

Don't know: 24%

Q7. To what extent do you agree or disagree with the following statement?

“Private train operating companies have the best interests of passengers at heart.”

Strongly agree:	6%
Somewhat agree:	16%
Combined Agree:	23%
Neither agree nor disagree:	27%
Somewhat disagree:	24%
Strongly disagree:	20%
Combined Disagree:	44%
Don't know:	7%