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Should train operators be given greater power in determining how the Government should spend its rail budget?

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Few rail services in Britain are operated without competition from the taxpayer. With the taxpayer providing almost all of the costs of the rail network as a whole.

The previous Labour government addressed this problem by inviting Sir Roy McNulty, a former chair of the Civil Aviation Authority, to report on the value for money of the rail industry. McNulty reported in May 2010 and his conclusions will dominate debate about rail for the rest of this Parliament. He found that rail costs in the UK are some 40 per cent higher than might be expected, as a result of which

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The recently published inter-h.Basic report “Rail Value for Money Study”, has again thrown the political spotlight on what is arguably the most controversial transport privatisation. It currently costs the Government around 19 billion a year to keep our railway system operating. This is almost half the total of the funding to Network Rail for all infrastructure projects and payments to passenger train operating companies for running subsided services.

Significantly, the current level of government funding is five times what it was in the last year of the nationalised British Rail. It is, therefore, hardly surprising that the last Labour administration sought to have an independent review as to whether the taxpayer was getting “value for money”. Not all passenger services require a subsidy from the Government. An essential yield of a franchise is to break even to the level of fees paid by the franchise holder to make profits. To do this, a franchise holder must ensure that the revenue from ticket sales is greater than the costs of running the service. When ticket sales are lower than expected, the franchise holder is unable to make sufficient profits to break even. This is known as “value for money”.

**Anna Walker**

Chair, Office of Rail Regulation

**(SPOTLIGHT: TRANSPORT)**

**Louise Ellman MP**

Chair, Transport Committee

The problem is that if this is left solely to the operators, local communities will be affected and not everyone will be pleased with the outcome.

Many years ago, this is what was considered to mean for the Government’s rail budget is spent?

One of the criticisms is often made about current arrangements that the Department of Transport lacks insight into the specific negotiations between a particular franchisee and the DfT. It appears that the Department is more concerned about the reputation and reliability of the bidding process than who might win the best bidder. This is in some ways understandable. After all, unlike say a McDonald’s franchise, a failing train operating company cannot just “shut up shop”. The service has to go on and another franchisee will need to be run, which may involve taking over the infrastructure, the rolling stock and the system of railway operating. This would be more expensive and dangerous than a franchise. The Department of Transport has to be involved in authorising the new franchisee.

A much more fundamental issue is one which will hit where it may and which would have been represented by McNulty’s criticism on Network Rail. This is that the Adnams model is not effective in market competition, or in driving down rail costs, but is preferred by the Government.”

People will be pleased with the outcome

The railway industry has to face the competitive bid process and that rail safety is not compromised. Britain has ”one of the safest railways in Europe – a fact we are justifiably proud of, but more must be done to improve matters”. DfT has always been clear that the health and safety on Britain railways is an absolute priority and an integral part of our business plan. Safety is fundamental to all those who travel and work on the railways and there is no room for, or need, for safety to be compromised under any circumstance.

As the DfT expects, the safety and efficiency of the railway system is improving, but there is still room for improvement. The Government has set ambitious targets for improving the efficiency of the railway system. These targets include reducing the number of passenger miles travelled by trains and increasing the speed of services.

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