

Guest Columnist

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The growing likelihood of a ‘different type of railway’

APPEARING before the House of Commons Transport Select Committee in June, Secretary of State for Transport Grant Shapps said: “The Coronavirus situation provides significant challenges but also significant opportunities to move faster to a different type of railway.”

Many of the features of what we knew of that ‘different railway’ had been trailed from the completed (but still unpublished) Williams Rail Review: the establishment of a champion of the railways (a guiding mind agency); long called-for fares reform; swapping the franchise contracting model for a concession one; and better alignment of incentives by reducing fragmentation.

With the creation of the unhelpful impression that getting on a train is more risky than base jumping into a music festival crowd without hand sanitiser, and with many people lucky enough to have the choice and deciding they quite like working from their armchair, it has resulted in a perfect storm of £900 million of government expenditure per month to continue running largely empty trains around, with little fares revenue to offset that.

So, when Shapps refers to the “significant opportunities” the Coronavirus situation provides, he may not be signalling opportunities to implement the Williams recommendations faster, but instead opportunities to definitively address the state’s relationship with the railways.

Because there may never be a better time for any government to ask publicly what all governments in the post-War period have asked themselves privately: whether the railways should continue to be part of the social contract between government and the people, or at least whether they continue to the extent they currently are? Does ‘different’ therefore mean ‘smaller’?

Railways and the social contract

The social and economic case for the railways being part of the social contract is well rehearsed. The railways offer the best way of moving the largest number of people into and out of our cities, of linking our cities, of increasing economic activity within and between those cities, of connecting remote areas to the rest of the country, of increasing land values, and of regenerating communities and the localities they serve - all at the lowest relative environmental impact.

They are considered socially necessary, like hospitals, schools and (dare I say it?) the police. And that is why people (and, in turn,

The railways have long been part of the social contract between the Government and the people. But under the shadow of the Coronavirus, is that contract about to be re-written? asks JASON CHAMBERLAIN

governments) are willing to subsidise them.

But it is a grudging willingness, because the price tag is shrouded by arguments about the best delivery model, perceptions of poor value for money, and a public and media that is hyper-sensitive to any period of poor performance.

The truth is that the railway’s part in the social contract has been rewritten for some time, as successive governments have reversed the taxpayer:farepayer responsibility to pay for them from 75:25 to more like 25:75.

Taxpayers will always remain sensitive to what benefit they think they get out of anything they fund through their taxes, particularly if that benefit is not direct or immediate. But the reversal has overlaid acute passenger sensitivity to value for money. The railways are now seen as expensive to all, whether you use them or not.

Allied to that is the fact that the franchising model has been driven into the dirt by a combination of efforts to squeeze ever more economy from it (or in Sir Humphrey-speak, ‘exhausting the value of the model’ by demanding ever-tighter margins from train operators) and occasional foot-shooting bouts of poor performance.

The latest conversation around railways and the social contract, and the *coup de grâce* for the franchising model, was delivered not by COVID-19 (both the main parties’ manifestos had announced pre-election that it would go), but by the Department for Transport decision last year to disqualify Stagecoach (and its various partners) from three franchise competitions and Arriva from one - in each case for non-compliant bids in relation to pensions liability.

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The disqualifications led to litigation (Arriva settled just before the hearings), on the basis that they breached principles of fairness, transparency and proportionality. A 601-paragraph judgment was handed down in June this year and delivered a comprehensive government victory.

The arguments are complex (and not really the subject of this article). But the debate was precisely about the extent to which a key cost of running a railway - pensions contributions for railway employees - should come down to the state, or at least should be beyond a certain point.

‘Harry Potter Cloak of Invisibility’

The disqualification judgment exposes numerous exchanges between DfT and Treasury officials as the pensions crisis developed.

What those exchanges, the quiet rebalancing of the taxpayer/user equation, and the exhaustion of the franchising model all reveal is the invisible hand of the Treasury - or, to redirect a phrase that was used by the Court, the Treasury’s “Harry Potter cloak of invisibility”.

The DfT had decided to solve growing disquiet from the pensions regulator about shortfalls in railways pension funds by sticking the problem with the train operators. But the bidding community naturally did not think taking on potentially unquantifiable pensions liability solved that problem.

So, to avoid its franchising programme being derailed by universal non-compliant bids, the DfT developed a risk sharing mechanism. However, anything that moves the DfT’s risk needle needs Treasury approval, and in a clear assertion of its hegemony it only permitted the DfT to offer a time and subject-limited regime.

Despite palpable reticence within the DfT that this regime did not go far enough, its senior figures realised at some point that they were simply talking to the Treasury hand. So, they gave up trying to offer a more expansive regime and cross what the Treasury came to characterise as ‘one of our red lines’.

In bidding, Stagecoach and Arriva drew



Two East Midlands Railway HSTs stand at St Pancras International on February 20. The pensions row that led to previous franchise holder Stagecoach being disqualified from bidding to run EMR in 2019 is evidence that the relationship between rail and the state is being reset, says Jason Chamberlain. JACK BOSKETT/RAIL.

their own red lines all over the risk sharing regime so that it was more favourable to them, believing that the other bidders would do the same and so force the Treasury to waive its hand, rather than just hold it up. But fatally, the others chose not to pick up their red pens and instead bid compliantly.

In the run-up to the fateful decisions to disqualify and thus avoid any more red lines, Peter Wilkinson, Senior Responsible Officer at the DfT, admitted to representatives of Stagecoach that the Treasury had put the DfT in an ‘appalling’ position. But that was that... Stagecoach and Arriva were disqualified.

It has always been this way - or at least it has been since 1952, when British Railway’s finances took a turn due to the march of the car (or perhaps more accurately, the roads on which to carry them).

Treasury-driven messaging changed. The railways were no longer just providing a service in the national interest, they now had fiscal obligations.

The 1961 White Paper *The Economic and Financial Obligations of the Nationalised Industries* created financial targets for nationalised industries, including the railways, and this inexorably led to the Beeching cuts between 1963-65. By the time of privatisation, British Rail was functioning on a shoestring, reflecting the budgetary settlements imposed on it by Treasury.

When franchising was conceived, despite market wishes for long franchise terms to drive business certainty and innovation, the Treasury wanted terms of no longer than five years so that franchise competitions were run as often as possible to maximise value from the private sector. In the end, the compromise of seven years was closer to the Treasury preference and has remained largely the case since.

And it is the Treasury that has driven the rebalancing of the taxpayer/user equation, by requiring inflation-busting fare increases since 2004 and ever more value from franchise payments.

‘To err is human. To blame it on someone else is politics’

All of this takes us to one of the sleepers on which Shapps’ different railway might be built if any of Williams survives - a guiding mind for the railways.

When giving evidence to the Transport Select Committee in October last year, Shapps identified the key recommendation from the Williams’ proposals would be having “[a] person who is responsible for it overall, [being] the person who you need to talk to about this problem or this improvement”.

Or, to put it in the more colourful language of our Prime Minister: “The secret to improving rail transport, in my view, is you need to find the right arse to kick.”

Unfortunately, since the abolition of the Strategic Rail Authority (SRA) in 2005, the DfT has ostensibly been in direct control of railway policy setting, and this has meant that the only arse the government has been able to kick is its own.

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► Following the May 2018 timetable debacle, it must have felt busier than the proverbial one-legged man at an arse-kicking contest.

As a former employee of the SRA and of the Office of Passenger Rail Franchising before it, I am firmly in favour of an agency that is (and people who are) directly invested in the railways and in the decisions made about them.

And there is clearly political value to a government in having something else to kick other than its own backside. But it is illusory to think that Rail for Britain, National Rail, or whatever it will be called, will be the true guiding mind for the railways - except perhaps within the box that is created for it.

In other words, the guiding mind will not be allowed to have too much of a mind of its own. This is what happened when Sir Alistair Morton led the SRA and tried to create long-term franchises. He was very much Emu to the government's Rod Hull, and it played a part in the DfT taking back direct responsibility for the railways thereafter.

The West Lothian question

The same must be said about the devolution model, which in recent years has been energetically pursued in the railways.

Devolution's attraction for central government is that it creates local responsibility, which on the face of it diminishes central government accountability. However, perhaps a side-effect of COVID-19 is the exposure of the fallacy that central government ever stops being accountable for socially necessary services.

Former London Transport Commissioner Mike Brown recently acknowledged that he came very close to closing the capital's transport network because of the drop-off in revenue caused by the pandemic (RAIL 909).

"Let's not beat about the bush. We are absolutely living hand to mouth now on TfL," he said.

Only a last-minute interim funding settlement with the Government of £1.6 billion stopped him from doing so. And the price TfL is paying for that handout is high: a Government-led sweeping review of TfL's finances, concessionary fares restrictions, and a government special representative on the TfL board - all, according to a DfT spokesman, because "the deal must be fair to UK

taxpayers". Trying to take at least a knife to a gun fight, London Mayor Sadiq Khan has called for his own independent review.

Devolution only goes as far as the devolved budget allows. Run out of money, and the only place to go is back to the source that can always find more. The virus may well have done irreparable harm to the devolved railway model because there is truly only one 'Operator of Last Resort'.

It's the economy stupid

The Office of Budget Responsibility estimates that the UK Government will have spent £300bn by the end of this financial year to prop up the economy in response to COVID-19, and £700bn over the next five years, including funding public services and businesses through the likes of the Job Retention Scheme.

Without raising taxes at some point (which the Conservatives ruled out in their manifesto), there will be less tax to pay for these extraordinary sums because of the economic downturn - less income tax, less corporation tax, less VAT.

Now factor in fares reform. Long before the pandemic, there was a call for simplified fares, with single journey pricing. With working practices needing flexible travel arrangements and pricing that is reflective of that, it is vital that this is addressed... and addressed soon. There must finally be a move towards national pay-as-you-go, capped-spend pricing, and/or carnet-type fares. The travelling public, if there still is one, will not tolerate anything else now.

However, such developments will shrink the fare box significantly. That would radically change the economics of the railways and means, bluntly, that the Government will have to subsidise them to perhaps an unprecedented degree long-term, which seems like the least likely outcome at this time.

'Perception is nine-tenths of reality'

But it will take more than fares reform to bring people back. The messaging has gone from 'avoid public transport where possible' at the outset to the more recent 'we are making clear that anybody may use public transport, while of course encouraging people to consider alternative means of transport'.

Practically, there's not a lot of difference between those statements. Public transport is still a last resort. But compare that with other

human activities where the messaging is completely different, and thus the perception of risk is also completely different.

I don't know about you, but my local supermarkets either aren't able or don't bother to mark out the required social distances other than lengthways - as if Coronavirus cannot travel sideways.

And while every other announcement tells shoppers to follow the distancing guidelines, those guidelines do not appear to apply to their staff, who do not have to wear masks and who regularly appear at your side to put more beans on the shelf just as you put some in your trolley.

And I know it has been a long time since I went to either, but I thought the principal purpose of visiting a restaurant or a pub was to open and close your mouth - perhaps the most dangerous transmission mode. All happening in an enclosed space at reduced social distancing and without a mask. Now we are

Two face mask-clad passengers leave a London Underground service at Paddington on July 19. The Government's decision to grant Transport for London £1.6 billion in emergency funding, to continue operating during the COVID-19 pandemic, is a fresh reminder of the social necessity of public transport provision, argues Jason Chamberlain. JACK BOSKETT.

even being subsidised to do so.

In both supermarkets and restaurants/pubs, you are interacting with other people, whereas on public transport the last thing most people do if they can help it is to interact with other people. Yet travelling on public transport is perceived as the riskier endeavour.

The inconsistency of messaging has led to an inconsistency of perception and means that much more effort is needed to convince people to return. Telling everyone how much you are running a damp cloth over the door buttons is not going to cut it, I suspect.

So, what might, presuming the Government really does want the railways back?

Well, more positive messaging for a start. And where is the fares equivalent of Eat Out to Help Out, to incentivise passengers to start using public transport again?

One of the mitigants to salary reductions and furloughs that many have endured has been the saving from not travelling. If discounted travel is not offered to offset some of that, it's quite easy to understand why people might continue to vote with their feet to stay up on the sofa.

Beyond that, perhaps the introduction (and advertisement) of technological solutions that would both maximise (and demonstrate the

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maximisation of) efforts to reduce potential infection and manage crowding. Just a sample:

- UV cleaning (UV-C) technology which sterilises the air and which is considered effective at eradicating viruses and bacteria on surfaces.

- The technology has been used for a long time in operating theatres and was introduced by some airlines and bus companies after the virus hit. It can be deployed at stations, depots and on trains, either delivered through HVAC vents or using mobile units, making it possible to deploy before and between services.

- Mask-detection technology that warns station staff of someone entering the station not wearing a mask - and, of course, a commitment to enforce that rule.

- Proper load counting technology that tells station dispatchers and passengers in

real time which trains (and which carriages within the train) are at socially distanced capacity.

- More flexible timetabling technology and processes that allow services to be flexed on much shorter notice, to match demand trends and optimise safe travel.

Some tough choices

Despite operating under a cloak of invisibility, it is the Treasury that has shaped so much of the railways' existence since they became part of the social contract.

So, as the DfT contemplates a different railway for us, it's not hard to imagine the kind of exchanges between the DfT and Treasury that took place around the franchise disqualifications last year.

The spending review has commenced. The Chancellor has invited government departments to find budget savings and reprioritise spending. He has admitted that "tough choices" are ahead.

We could see reductions in service frequency here and service closures there. We could see the curiosity of closing certain lines to pay for the opening of Beeching lines that have already been promised politically, if not that trade-off beneath the invisibility cloak. But equally, none of that could happen. Only one mind, that guiding mind, knows.

It is a tough choice for people to use the railways at the moment. A large part of that is because the Government has told the public to use anything but, although it is also fair to say that we have been all too willing to heed that messaging for many reasons beyond fear of contracting the virus.

There is nothing immutable about the railways forming part of the social contract. For something to be socially necessary, society obviously has to have a need for it. But this is not enough - in a world of scarce resources, the social benefits must outweigh the costs to society and do so more efficiently than competing considerations.

If most of the travelling we do continues to be between the living room and the kitchen, and for the few times we venture further by other means, it cannot be a surprise if the guiding mind of the railway, the real guiding mind, takes the tough choice (or opportunity, you decide) to rewrite the social contract for it.

To coin a well-worn railway term, we must use it or lose it. **B**

