New Inquiry: Reform of the Railways

Response by Transport-Watch UK to the Transport Committee

As accepted for publication

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Reform of the railways

The Government’s position

1. The Government’s position is illustrate by the following:
   
   (a) In the forward to the McNulty report “Reform of our railways: Putting the customer first”, Cm 8313, dated March 2012, the Secretary of State, Justine Greening, wrote “We all know how important our railway network is to the prosperity and wellbeing of this country”.

   (b) Likewise in the forward to the DfT’s Rail decentralisation report, also of March 2012, she writes “Rail has a vital role to play in the national economy, enabling large numbers of people to move between home and work across the country”.

   (c) The previous Secretary of State (Philip Hammond) is cited in Network Rail’s Initial Industrial Plan, the IIP, for England and Wales dated September 2011, as saying “Rail should be at the forefront of the Government’s transport strategy – contributing to the Coalition’s twin goals of economic growth and carbon reduction”.

Those views are strongly held but seemingly without recourse to the facts.

The Facts

Modal share

2. Rail accounts for only 3% of the nation’s passenger journeys, 7.7% of its passenger miles, and for 8.3% of freight transport. That trivial contribution is illustrated by the following diagrams where the values are for the year 2010.

Costs

3. Furthermore, rail transport is punishingly expensive to the exchequer compared with road transport. For example:

   (a) Support from the exchequer for the railways averaged £4.7bn at 2010/11 prices for the decade to 2010/11\(^1\). In addition Network Rail’s annual accounts show bank debts of £25.6bn and liabilities including tax of £35.6bn. Net assets, after allowing for track and plant etc. valued at £39.6bn, amount to £7.7bn. However, the £39.6bn is unrealisable –
Probably the track is nearly worthless in the market place unless income is guaranteed by the Government or change of use allowed. Hence the actual net debt is the £39.6bn liabilities minus the £7.7bn assets providing circa £32bn. It is unlikely that that debt can ever be repaid from the fare box. Hence, in the longer term, it will fall on taxpayers. If the £32bn has been accrued over 20 years the annual amount is £1.6bn. Adding that to the ten year average for Government support provides circa £6.2bn.

(b) In comparison, the taxes taken from road users, including VAT on motor sales etc. total at least £50bn compared with expenditure of circa £10bn. If the net profit of £40bn is apportioned according to vehicle-miles the profit to the exchequer attributable to the Strategic Road Network amounts to £13bn per year.

5. These vast losses and profits, together with track lengths, lane lengths and usage, provide the following comparisons, also illustrate in figure 3.

<table>
<thead>
<tr>
<th></th>
<th>Annual profits from Strategic road network</th>
<th>Annual losses from national rail network</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per household</td>
<td>£500</td>
<td>Minus £240</td>
</tr>
<tr>
<td>Per lane-km or track-km</td>
<td>£253,000</td>
<td>Minus £196,000</td>
</tr>
<tr>
<td>Per passenger-km</td>
<td>6.4 pence</td>
<td>Minus 11.5 pence</td>
</tr>
<tr>
<td>Per passenger plus tonne-km</td>
<td>4.4 pence</td>
<td>Minus 8.5 pence</td>
</tr>
</tbody>
</table>

6. Further, dividing Government expenditure on the motorway and trunk road system by the sum of passenger-km and freight-km provides a unit cost of 1.4 pence, six times less than the cost of 8.5 pence for rail apparent from the above table.

7. Against that background of relatively trivial use and extraordinary costs and losses it astonishes that the Government continues to pour money into the railways. 50% of the Government’s expenditure on Transport is on rail, leaving 39% for the strategic road network and 11% for local and other transport. That at a time when the strategic road
network carries nearly four times as many passenger-miles and over double the freight of the railways.

**Usage**

8. Worse still, the rail network is, in highway terms, lightly used. In 2009/10 the product of the national rail amounted to 54bn passenger-km and 19bn Tonne-km carried upon 31,500 km of track. If the passengers had been carried on that network by express coaches, containing as few as 20 people, and the freight by lorries carrying an average of 12 tonnes (24 tonnes out, back empty) then the daily flow per track, averaged over the network, would amount to some 235 coaches plus some 140 lorries, a total of 375 vehicles. Such a flow would pass in 20 minutes in one lane of a motor road.

9. Further, rail is two to three times less productive per track-mile than is the strategic road network per lane-mile. The figure below illustrates where M +T denotes the Motorway and Trunk Road network.

![Fig 4. Average Daily flows per track or lane](image)

10. As for London: some 500,000 surface rail passengers enter the capital in the three hours 7 am to 10 am, corresponding roughly to 250,000 in the peak hour. There are at least 25 inbound tracks serving the capital. Hence the peak hour passenger flow per track averages 10,000. The 10,000 would all find seats to spare in 150 75-seat express coaches, sufficient to fill one seventh of the capacity available. Outside the peak period this great Victorian network is a place of dreams.

11. Figure 5 shows a vast expanse of virtually empty of rail - all within a stone’s throw of Westminster where the roads are clogged with traffic. Meanwhile, in New York there is a single express coach lane 11 feet wide and four miles long that carries up to 700 45-seat express coaches in the peak hour - offering over 30,000 seats. In comparison at Victoria Main Line 30,000 crushed passengers arrive in the peak in the trains requiring four inbound tracks.
**Speed and journey lengths**

12. Half of all rail journeys are less than 20 miles long. 90% are less than 80 miles. For all of those the expressed coach, given an uncongested right of way, would match the train journey time, particularly after taking account of a service frequencies several times that offered by the train.

**Safety**

13. Those supporting rail like to say that more people die on the roads in a day than rail passengers in a year on the railways. However, at the heart of that statistic there are two frauds. Firstly, when the statistic was originally put about there were 18 times as many passenger-miles by road as there were by rail (now it is 13 times). Secondly, it compares passengers killed in train accidents, accounting for less than 5% of those killed on the railways, with all those, system-wide, killed on a completely open road system. In contrast we found that when trespassers but not suicides were included the railways kill more people per passenger-mile than does the motorway and trunk road system⁶.

**Social equity**

14. Railway travellers, as described in the Economist (17/3/12), are typically rich. (In fact those from households in the top quintile of income travel four times as far by rail as do those from either of the bottom two quintiles). Those people are also mostly able bodied. However, rather than the service that they use being taxed those users are heavily subsided. Since social equity is one of the Government’s aims it follows that, rather than subsidy, which leads to an expansion of the service, fares should be raised so as to balance supply and demand.
Some Quotes

15. Uncle Remus: “It ain’t what ya don’t know that hurts ya. What really puts a hurtin’ on ya is what ya knows for sure, that just ain’t so”.

16. Stewart Joy, Chief economist to British Railways in the 1960s in his book, ‘The Train that Ran Away’: “There were those in the British Transport Commission and the railways who were cynically prepared to accept the rewards of high office in exchange for the unpalatable task of tricking the Government on a mammoth scale. Those men”, Joy wrote, “were either knaves or fools”.

17. Frances Cairncross in The Guardian of 29 April 1974: “When trains are still the theme of nursery rhymes and children’s stories, it is small wonder that the railways have a romantic fascination for most adults. Only years of nursery conditioning can explain the calm with which the public has accepted a bill of £3,000 millions to subsidise British Rail over the last decade”. (Note the GDP deflator for the year 1960, half way through the decade, was 5.723 compared with 100 for 2010-11. Hence the £3bn for the decade translates to £52bn at 2010-11 prices or to £5bn per year).

18. The Economist, 15 June 1974: “The taxpayer is going to have to fork out more than £2 billion (£14.5bn at 2010-11 prices) in the next five years to support British Rail. It … means that nearly half BR’s costs will be born by the taxpayer. In return there is little hope of any increase in the railways’ contribution to Britain’s transport: 8 per cent of passenger miles and 19 per cent of freight ton miles … Spending on this scale will leave much less money for building roads”.

19. Dan Pettit Chairman, National Freight Corporation, reported in The Time 17 October 1972: “One is not only saying that a rail haul generally has to be 250 miles to be economic, whereas more than 70 per cent of freight movements in this country are no more than 25 miles; one is saying that railways are incapable of offering the kind of freight service society increasingly wants … The car and the lorry have come to the rescue of the city … the way the environmentalists in particular talk about the railways reminds me of the tale about the king’s clothes. It is an exercise in mass self-delusion”.

Conclusion

20. In the light of the above the beliefs expressed by Justine Greening and Philip Hammond, that rail is vital to the economy, seem misplaced if not entirely vacuous. Nevertheless those beliefs are held by the majority – a triumph of railway propaganda over reality. For that reason Sir Roy restricted himself to examining the railway as though it were perpetually bound to be nothing but a railway. Let us hope that the savings he identifies do not turn out to be illusory, but, whatever the case, a great opportunity has been lost.
21. Had Sir Roy interpreted his brief more widely he may have found that the railways are indeed the disaster that we paint above. He might then have canvassed for the more lightly used parts of this immense rail network – it is 10,000 miles long – to be converted to reserved motor roads, managed to avoid congestion via road pricing or otherwise.

22. If that were to be done, the trivial services offered by rail on those brilliantly engineered, almost flat and straight rights of way would be discharged by express coaches and lorries at a fraction of the cost of the train. Additionally countless thousands of other lorries and other vehicles would divert from the unsuitable rural roads and city streets that they now clog. The environmental benefit would be overwhelming, the tax burden imposed on the nation by the railways would be converted to a profit and the many thousands of hectares of near derelict land that abuts railways, particularly the stations, would become intensely valuable.

23. If the taxpayer is to be rescued from the endless drain on resources that the railways are and to capitalise upon the benefits of converting elements of it to roads then those in power need to set aside preconceived ideas, and act in the light of the facts. We commend to the Committee that they should take note.

24. Those who disbelieve should contemplate the strategic road network paved with railway lines. The place would be at a near standstill, as are the railways in highway terms.

1 National Rail Trends 2010-11 Year book table 6.2a, with prices adjusted to 2010/11 prices using the GDP market Prices deflator.
2 In the text we showed that, including loans the subsidy to Rail was running at 6.2bn per year. There were 54bn passenger-km in 2010 and 19bn tonne-km, providing a total of 73bn (passenger + tonne) km. Division yields 8.5 pence per km. TSGB table 0117 provides capital pus revenue expenditure on the strategic road system of £4.16bn in 2009/10. We estimated that the network carried circa 200bn passenger-km and 95 tonne-km, a total of 295. Division provides 1.4 pence per km.
3 TSGB table 0117 data for the year 2009-10.
4 Equivalent express coaches per day: 54bn/20/365/31500 = 235:. Lorries per day 19bn/12/365/31500 = 138.
5 The values are obtained by dividing passenger or tonne-km by track length for rail or lane length for road. E.g. for rail the average daily passenger flow is 54bn passengers-km per year divided by 365days and by the track length of 31,500 track-km = 4,700 passengers. For strategic roads we had 201.7 passenger-km per year and a lane length of 51,500 km. Hence the average daily flow is 201.7bn/365/51,500 = 10,730. Similarly for freight where there were 19bn Tonne-km by rail and 95.8 tonne-km by the strategic road network.
7 For many more in the same vein see topic 7 in the Transport-Watch web site here http://transport-watch.co.uk/transport-quotes-1974.htm.