# Industry structure and privatisation

## ATOC's view

- Rail privatisation has provided a framework that has allowed train operators to meet the needs of their customers with more frequent and attractive services, with new or refurbished trains which, properly marketed, have been able to attract record levels of passengers with 45% growth in passenger numbers since the start of privatisation.

- Renationalisation would not produce any new benefits for passengers that could not be achieved in other ways. It would preclude competition and restrict funds for investment. It could mean that the whole cost of providing national rail passenger services would fall on Public Sector net borrowing, with a significant effect on public finances.

- In our view the time for debating the merits of privatisation is passed. What matters is delivering high quality rail services for the passenger and value for the taxpayer.

- There were problems with industry framework at privatisation and there have been major reorganisations to address these and the current structure has been able to deliver unprecedented high levels of performance, significant investment, growth and continuous safety improvement.

- There is scope to develop the existing structure to enable train operators to deliver greater benefits for customers and greater value for the taxpayer. The development we are proposing is evolutionary and does not require new legislation.

## Background and key issues

- Britain's railways were privatised under the Railways Act, 1993, with the completion of franchising in April, 1997.

- The purposes of privatisation, set out in the 1992 White Paper were to introduce competition in the provision of railway services, encourage innovation and improve services to passengers. However, it was designed for a static or declining market, not for the dynamic growth that has occurred.

- The original model has been considerably modified with the creation of Network Rail as a Company Limited by Guarantee in 2002, replacing Railtrack. The Office of Passenger Rail Franchising was replaced initially by the Strategic Rail Authority, and then by the Department of Transport's rail division in 2005.

- Public opinion has been divided throughout this period on the benefits and drawbacks of the change. Some commentators have called for renationalisation, and the RMT union believes that franchises should be taken back into the public sector as they expire.

- The costs of the railway have increased since privatisation, but the quantum and quality of services purchased, and the number of passengers carried have also increased significantly. The increased cost also reflects the limited funding available to BR over many years, and the consequent need for 'catch up' of major asset renewals to meet the outputs specified by Government.

- The Government has set the course for the railway in the Railways Act, 2005 and the 2007 White paper. This does not envisage any change to the current framework of the railway which is publicly specified by DfT and privately delivered by Train Operators and Network Rail.

- Privatisation involved separation of management of wheel and rail which brought with it initial problems. Development of internal industry structures and a developing maturity of approach have resulted in the problems being better managed.

**Relevant ATOC activity**

- ATOC has developed proposals for reforming the franchise model in order to allow franchisees the scope to grow revenue through meeting the demands of their markets and to take the initiative in driving down industry costs. These ideas are set out in ATOC's document Franchise Reform, a better railway for passengers and taxpayers.

- The key issues for passengers are fares, overcrowding and performance. ATOC has simplified fares and its members now offer a wide range of discounted fares within three simple ticket types. ATOC and its members are working with Network Rail and DfT to provide more capacity through the Route Utilisation Strategies and improved performance through the National Task Force.

- Privatisation has been accompanied by injection of over £30bn in private sector investment, steady improvements in safety, and renewal of rolling stock, so that the fleet is now the youngest in Europe.

- Privatisation resulted in a matrix structure of contractual relationships and regulation, replacing the simpler command and control hierarchy of BR. However, ATOC fulfils five key roles by providing:

    - A single point of contact for National Rail Enquiries by phone, e-mail or text
    - A mechanism to underpin through ticketing and the development of new ways of retailing through Rail Settlement Plan. It also leads on new ticketing systems to meet passengers' needs for access to rail travel from home or the office
    - Schemes to manage national commercial issues such as fares structure and railcards, London issues including Oyster, overarching engineering and operations requirements and rail staff travel
    - A national focus for rail planning and route utilisation strategies
    - A single point of access to information about the passenger railway through the ATOC Corporate Affairs team

**Key documents/links:**

Department for Transport: Strategy documents, franchise agreements: www.dft.gov.uk
Office of Rail Regulation: The National Rail Review. www.rail-reg.gov.uk

Passenger Focus: National Passenger Survey. www.passengerfocus.org
Transport Select Committee: Tenth Report: *Delivering a sustainable railway: a 30-year strategy for the railways?* 21 July 2008. www. parliament.uk
ATOC: The Billion Passenger Railway, April 2008: www.atoc-comms.org
ATOC: Franchise Reform document, October 20009: http://www.atoc.org/general/FutureFranchisesReport_S8.pdf

For further information contact kai.hills@atoc.org

**Kai Hills**
November 2009