

Private sector says squeezing it out of rail could lead to funding issues and lost innovation

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The government could miss out on innovation and run up long-term costs if it cuts private sector involvement, a body representing rail transport operators has said.

The warning, issued by the Rail Delivery Group, was made before a Department for Transport market engagement day gets underway – the intention of which is for the government to tell operators more about the plans for how the private sector will be involved in future rail contracts.

The Rail Delivery Group said transport operators are cautioning against ‘copy and pasting’ tightly specified contracts from city networks that would act as a straitjacket on many routes, stifling innovation and slowing Britain’s recovery. As the organisations directly serving travellers, the Rail Delivery Group says operators want the flexibility to respond to the varying needs of passengers, rather than an overly centralised body, to encourage more journeys and support job creation in the future. It adds the companies are also pushing for longer contracts with tough targets so that the railway can meet its potential of being the backbone of a truly integrated, low carbon transport system.

The Rail Delivery Group has said that private sector operators do not want more than their fair share from taxpayer funds – with more than £12 billion in emergency funding being allocated to the railways since the start of the pandemic. Instead, it said the businesses want to build on experience of reducing an annual £2 billion a year operating deficit of the railway during franchising. It warns inflexible contracts that limit innovation could stifle passenger growth and embed a funding black hole in the railway.

The Rail Delivery Group said the businesses have an important part to play in the nation's economic delivery. Its statement continued: "Since the introduction of private sector involvement in the railway in the 1990s, thousands of new train carriages have been introduced, customer service has been overhauled and new benefits such as on-board entertainment systems and free wireless internet have been rolled out. Together with the wider availability of cheaper advance fares, these innovations helped passenger journeys on the railway double between then and the start of the pandemic and revenues grew at twice the rate of GDP. Under a tightly specified contractual system, passengers would have missed out on many of these benefits."

As part of the reforms proposed in the Williams-Shapps Plan for Rail, new Passenger Service Contracts (PSCs) will replace franchises and will initially be let by the Department for Transport (DfT) before being transitioned to Great British Railways (GBR). The agreements will build on what the Rail Delivery Group calls "the tightly specified contracts of the concession model" used by Transport for London Overground services. It adds that operators support this change but getting the detail right is key.

The Rail Delivery Group drew attention to the Chancellor's budget speech, in which he spoke about the importance of backing business in recognition of the fact that Britain's future prosperity could not be built by government alone.

Andy Bagnall, director general of the Rail Delivery Group, said: "To 'build back better', the rail industry wants to work with government to make reform a success, which will support economic growth and a cleaner environment.

"With the right reforms that harness private sector expertise, we can more flexibly respond to passenger needs, boost innovation on the rail network and encourage more journeys in the future – enabling rail to become the backbone of a truly integrated, low carbon transport system."

Private sector operators are calling for the DfT, and then GBR, to set the outcomes it wants operators to achieve and facilitate decisions. Ahead of the engagement exercise, the Rail Delivery Group says operators are calling for:

- Contractual levers to help operators attract passengers back, respond in an agile way to local needs, and to make industry costs more efficient
- Involvement in national and local marketing campaigns, retailing solutions and the fares framework to harness local knowledge and accelerate growth
- An essential role in the development of timetables to respond to passenger demand
- Responsibility for all elements of train service delivery as well as customer-facing, commercial and operational roles at stations

'Passenger Service Contracts - Delivering on the Williams-Shapps promise to passengers': a proposal by the Rail Delivery Group on behalf of independent Train Operator Owning Groups is available [here](#).

Image credit: Rail Delivery Group