Proposed Provision of Rail Passenger Services (Scotland) Bill

Draft proposal for a Bill to direct Scottish Ministers to arrange for rail passenger services to be provided directly by the public sector or by a specifically created company on a not-for-profit basis.

A copy of the consultation document can be found on the Bills page of the Parliament’s website and in SPICe
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Foreword

Many public services are far too important to the wellbeing of a country’s citizens for them to be in the hands of private companies whose first and foremost allegiance is always to profit margins, managing directors and shareholders, not the public.

Gas, electricity, telecommunications and public transport are prime examples of such public services. All should be in public hands and run on the basis of maximum quality, reliability and affordability, not on the inefficient and often dangerous basis of maximising private profit.

This Bill proposal seeks to use the frustratingly limited powers of the Scottish Parliament to give effect to the sound principle of running railway passenger services in the public not-for-profit sector. The Railways Act 2005 confers such powers on Scottish Ministers and the Bill that will emerge from this proposal will instruct those Ministers to remove the profit motive from the delivery of rail passenger services in Scotland. Tangible improvements in the services will flow as a direct result.

Unfortunately, such an option is only currently available at the end of the current First ScotRail franchise in 2011 but passing the Bill which will follow this consultation will send a powerful signal to the private rail profiteers that their ‘gravy train’ has reached the end of the line and rail services for ‘people not profit’ are the new order of the day.

Tommy Sheridan MSP
1. Introduction

1.1. The Railways Act 2005, an Act of the UK Parliament, significantly overhauls the previous position in relation to the provision of rail passenger services in Scotland and hands new and important powers to Scottish Ministers. However, the Act does not confer on Scottish Ministers powers to re-integrate in the public sector all passenger services and the railway infrastructure. This Bill proposal therefore deals solely with Scottish franchised passenger services. The current ScotRail passenger franchise runs until 2011 with the possibility of a three year extension.

1.2. The objective of this Bill proposal is to direct Scottish Ministers to use their new and far-reaching powers over rail passenger services in Scotland to remove the profit motive from the service, thus delivering a not-for-profit rail passenger service provided publicly or by another appropriate not-for-profit provider.

1.3. This Bill proposal instructs Scottish Ministers to use their new powers in a certain way to deliver a more economic and efficient service.

1.4. The Member in charge of this Bill proposal is convinced rail privatisation is inefficient, uneconomic and incapable of delivering sustainable expanded services, fair fares or value for money to the taxpayer.

1.5. The National Union of Rail, Maritime and Transport Workers (RMT) is practically and financially supporting this Bill proposal.

1.6. Please send your responses to this consultation to: Phil McGarry, RMT Scottish Regional Organiser, 180 Hope Street Glasgow, G2 2UE or email p.mcgarry@rmt.org.uk
1.7. An email copy of your response to the Member in charge of the Bill would also be appreciated. Send to tommy.sheridan.msp@scottish.parliament.uk

1.8. The consultation period will end on 23 August 2006.

1.9. It is intended to make all responses public unless you specifically request your response to be kept confidential. Confidential responses will be used in any statistical analysis of responses and summary. However confidential respondents will not be identified. Please feel free to pass this consultation document on to other interested parties.

2. Background

2.1. The social value of the rail network is well established, in terms of promoting social inclusion, supporting accessibility, encouraging economic growth and regeneration or assisting the development of the tourist and leisure industries. Rail is particularly important for the 36% of households in Scotland - rising to 59% in Glasgow and 42% in Edinburgh - that do not have access to a car.

2.2. The railway also plays an important part in ‘Scotland's integration’ linking urban centres with more isolated communities who depend heavily on rail and other public transport links. Additionally, in comparison to the private car and aviation, rail has clear environmental benefits.

2.3. In the early 1990s the Conservative Government announced that the railway industry was to be broken up and sold off. It argued that the private sector would find the finance for a much-needed investment programme in the industry and that market forces would encourage the provision of new and more efficient services for passengers.
2.4. In fact, the Conservative Government’s 1993 Railways Act adopted a privatisation model that represented a ‘win-win’ set of arrangements for private sector interests.

2.5. Between 1994 and 1997, British Rail’s passenger services were divided into 25 separate franchises. On 31 March 1997, just over a month before the General Election, ScotRail became the last of the franchises to be privatised. Public subsidy was then paid to those private train operators who had successfully bid to provide passenger services. The rolling stock was to be leased from three private train leasing companies, all of which are now owned by major international financial institutions.

2.6. To run their passenger services the train operators paid track access charges to the newly created infrastructure controller, Railtrack. Hundreds of engineering and infrastructure companies were contracted and sub-contracted to maintain and renew the railway infrastructure. Freight services were also sold off to private interests.

2.7. After the 1997 General Election, the Department of Environment, Transport, Local Government and the Regions’ July 1998 White Paper: A New deal for Transport: better for everyone, spoke of the “potential for a rail renaissance”. Regrettably, almost eight years later and more than a decade since 1993 Railways Act, rail privatisation has failed miserably to deliver a rail renaissance.

2.8. Costs have spiralled, with in 2005/06, public funding for the railway industry, including the Channel Tunnel Rail Link (CTRL), standing at £4.5billion. (See Table A).¹

¹ Alistair Darling, written statement to House of Commons, 10 February 2005
### Table A

<table>
<thead>
<tr>
<th>Department For Transport (all figures at £m at cash prices)</th>
<th>2005-06</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2008-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government support to Franchises</td>
<td>1,066</td>
<td>1,501</td>
<td>1,353</td>
<td>1,417</td>
</tr>
<tr>
<td>Network Grant</td>
<td>1,843</td>
<td>2,883</td>
<td>2,832</td>
<td>2,651</td>
</tr>
<tr>
<td>Enhancements</td>
<td>33</td>
<td>18</td>
<td>27</td>
<td>34</td>
</tr>
<tr>
<td>Freight</td>
<td>22</td>
<td>26</td>
<td>21</td>
<td>20</td>
</tr>
<tr>
<td>Other</td>
<td>206</td>
<td>201</td>
<td>175</td>
<td>177</td>
</tr>
<tr>
<td>Total Govt commitment to franchise support, Network Rail and other</td>
<td>3,170</td>
<td>4,629</td>
<td>4,408</td>
<td>4,299</td>
</tr>
<tr>
<td>CTRL</td>
<td>1,387</td>
<td>1,181</td>
<td>180</td>
<td>93</td>
</tr>
<tr>
<td>Total Rail</td>
<td>4,557</td>
<td>5,810</td>
<td>4,588</td>
<td>4,392</td>
</tr>
</tbody>
</table>

2.9. This massive injection of public monies has not, however, delivered reliability, value for money and service improvements due to the grossly inefficient and costly nature of the privatised rail industry. The Catalyst think-tank July 2004 working paper: *Renaissance delayed? New Labour and the railways*, maintains, “The private firms that now make up the railway industry are currently receiving public subsidy three times larger than that received by British Rail”. The paper goes on to say “At the same time the fragmentation of the industry has meant that infrastructure costs continue to escalate, estimated to be now running...
at three to five times their level prior to privatisation, with much of the increase having taken place since 2000”.²

2.10. The March 2005 Catalyst think-tank pre-election briefing: The Railways in A Third Term indicates that around £800million a year - £15million per week - is taken out of the UK rail industry as returns to private lenders and investors. This represents a total “leakage” of £6billion since 1996.

2.11. In addition the September 2005 Catalyst working paper: The performance of the privatised train operators makes the point that the dividends paid to private sector shareholders are the result of “the extensive system of public subsidies rather than superior private sector management performance”.³

2.12. All three Catalyst reports clearly illustrate the stark fact that private investment in the rail industry is paid for by the public - and then some more.

2.13. On 19 January 2004 the then Secretary of State for Transport, Alistair Darling, announced a major review of the structure and organisation of the railway industry, acknowledging, “taxpayers and farepayers alike need to know that their money is being well spent and that increased spending will increase performance” and “The way it (the rail industry) was privatised has led to fragmentation, excessive complication and dysfunctionality that have compounded the problems caused by decades of under-investment.”⁴

2.14. The review led to the July 2004 Future of Rail White Paper, which acknowledged that the railway industry suffered from “problems caused

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³ Catalyst working paper: The performance of the private sector train operators, September 2005, page 33
⁴ Alistair Darling, statement on the railways, House of Commons, 19 January 2004
by privatisation”, which had bequeathed “an inefficient and dysfunctional organisation coupled with a failure to control costs”.  

2.15. Bizarrely, the White Paper went on to enshrine the “principle of public and private partnership”, and confirmed that the Government saw rail “as a public service, specified by Government and delivered by the private sector”.  

2.16. The Bill proposal promoted by this consultation aims to precisely deliver the essential rail passenger service in Scotland under a public, not-for-profit arrangement.  

2.17. It is worth registering that such a step already commands widespread support.  

2.18. In 2003 a NOP opinion poll commissioned by the National Union of Rail, Maritime and Transport Workers found 72% of respondents in favour of rail public ownership.  

2.19. In February 2004 a TNS produced poll for the Scottish Socialist Party indicating that 44% of people agreed strongly and 23% of people agreed slightly that ‘Utilities such as the railways, gas and electricity ought to be taken back into public ownership in Scotland’. Only 6% of respondents disagreed strongly with the statement.  

2.20. In September 2004, a YouGov survey, on behalf of the Transport Salaried Staffs’ Association, found that 79% of people surveyed thought it was not acceptable that private train operators receive more public money than British Rail. 67% of those surveyed thought that rail passenger services should be run in the public sector.  

5 Department for Transport, Future of Rail White Paper, July 2004  
6 Department for Transport, Future of Rail White Paper, July 2004
2.21. The Trades Union Congress and Scottish Trades Union Congress (STUC) both have long-standing commitments in favour of public ownership of the rail network. In 2006 the STUC passed a motion on the railways which included “Congress resolves to prosecute its policy of re-nationalisation by lobbying the Scottish Executive to campaign for powers to take Scottish passenger services back under public control”.

2.22. The 2004 UK Labour Party conference passed an amendment to a policy forum document that spoke of “resolving the fragmented structure of the (rail) industry by introducing an integrated, accountable and publicly owned railway”.

2.23. The 2003 Scottish National Party, Scottish Parliament manifesto said “The ScotRail franchise, which provides passenger train services across most of Scotland, is due for renewal, and we believe that it too should be taken under public control through a Not for Profit Trust”.

2.24. The 2006 Annual Conference of the Scottish Socialist Party reaffirmed its commitment to rail re-nationalisation.

2.25. The Green Party manifesto for the 2005 Westminster elections called for the railways to be brought back under public control.7

2.26. Finally, the think-tank Catalyst concluded “The government has committed substantial funds for public investment in the railways, and the indications of the recent spending review are that this commitment is not waning. It is right that government should seek to ensure that the public receives an adequate economic, social and environmental return

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on that investment. The most appropriate model for achieving this is a railway that is publicly owned and accountable”.

3. **Scottish rail passenger services**

3.1. Scotland’s rail network consists of approximately 2,800 route kilometres of track, around 340 stations, with 68.7 million journeys originating in Scotland being made on ScotRail services in 2004/05. The commuter network in the west of Scotland is the busiest in the UK outside of London.

3.2. The following transport objectives are set out on the June 2004 White Paper: *Scotland’s Transport Future*:

- Promote economic growth by building, enhancing, managing and maintaining transport services, infrastructure and networks to maximise their efficiency;
- Promote social inclusion by connecting remote and disadvantaged communities and increasing the accessibility of the transport network;
- Protect our environment and improve health by building and investing in public transport and other types of efficient and sustainable transport which minimise emissions and consumption of resources and energy;
- Improve safety of journeys by reducing accidents and enhancing the personal safety of pedestrians, cyclists, drivers, passengers and staff, and
- Improve integration by making journey planning and ticketing easier and working to ensure smooth connection between different forms of transport.

3.3. The view of the promoter of this Bill proposal is that these laudable objectives can, in their relationship to rail passenger services, best be

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8 Catalyst working paper: Renaissance delayed? New Labour and the railways, July 2004
met if Scottish Ministers utilise their powers under the Railways Act 2005 and remove the profit motive from the operation of ScotRail services, thus delivering a not-for-profit rail passenger service provided publicly or by another appropriate not-for-profit provider.

3.4. The current ScotRail franchise, operated by First Group, began on 17 October 2004 and will run for seven years with the possibility of a three-year extension. The 20 August 2004 Strategic Rail Authority press release announcing the franchise award indicated that the total subsidy for the seven-year period would be £1.9billion at 2004 prices.

3.5. A written reply from the Scottish Parliament of 6 September 2005 reveals the level of public subsidy paid to ScotRail between 1997-98 and 2004-05, when services were operated by the National Express Group, came to £1.9billion;

Mr David Davidson (North East Scotland) (Con): To ask the Scottish Executive how much was paid to National Express Group under the previous ScotRail franchise.

Tavish Scott: The ScotRail franchise payments made to National Express Group under the previous franchise are detailed in the table below:

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</tr>
</thead>
<tbody>
<tr>
<td>£million</td>
<td>288.63</td>
<td>280.18</td>
<td>270.00</td>
<td>248.57</td>
<td>214.26</td>
<td>230.08</td>
<td>251.67</td>
<td>133.29</td>
</tr>
</tbody>
</table>

This information was collated from the Strategic Rail Authority Annual Report 2004-2005. It should be noted that the figure for 2004-05 is for the half year until the franchise ended.
3.6. This means that since 31 March 1997 £3.8billion of public money has been paid or is committed to be paid to private sector companies to run ScotRail passenger services.

3.7. Transport Scotland recently provided Tommy Sheridan MSP an explanation of how the private franchising operation works in Scotland. The explanation includes;

a) The contract is a fixed price “deal” to operate rail services on behalf of the Ministers. The Ministers specify the service level, quality etc and in response the bidders for the franchise show, via a financial model, the price for which they are willing to operate the franchise.

(b) Simply put the model is an equation:

Costs + profit - revenue (mainly fares) = subsidy.

(c) Costs are the bottom-up rolling stock, staff, access charge and other costs of operating the service level specified.

Profit is the level of profit the franchisee is looking for to deliver the contract.

Revenue is the level of fares and other incomes the franchisee is forecasting for the 7 years of the contract.

Each of these assumptions was tested and ultimately contractualised in the financial model in the contract. Because the figure generated is a minus, a subsidy is required (of circa £2bn over 7 years). Accordingly there is in truth no absolute “contribution” from First ScotRail, this being a contract for services requiring a subsidy rather than say an infrastructure contract or other joint venture.

3.8. Simply put this financial model amounts to the following equation: Costs + Profit - Revenue (Mainly fares) = SUBSIDY. Thus we, the taxpayers and farepayers, pay the private company, First ScotRail, to manage the
rail services under certain specifications and with a guaranteed level of profit.

3.9. Indeed, recent reports reveal that First ScotRail is generating sizeable operating margins. The May 2006 issue of Modern Railways magazine reports that in 2004/05 First ScotRail showed an operating margin of 5.8% on a turnover of £183.1million. On 17 May 2006 First Group published their preliminary results for the year to 31 March 2006. Across the whole group UK rail operating profits rose by 23% to £79.6million.\textsuperscript{10} Press reports indicate that ScotRail’s contribution was a full-year profit of £13million.\textsuperscript{11}

3.10. The promoter of the Bill concludes that if these profit levels were to be removed from the franchising equation then rail services in Scotland could be run directly by Scottish Ministers, or by another not-for-profit organisation, for less public subsidy than that currently being paid to the franchise holder.

4. Good practice

4.1. The central thrust of this Bill proposal is the contention that rail passenger service can be run more efficiently and economically in the public sector than in the private sector.

4.2. In it is now clear that British Rail was already highly efficient and that there was little scope for reducing costs further without jeopardising service delivery (see Table B from September 2005 Catalyst working paper: \textit{the performance of the privatised train operators}).

\textbf{Table B}

<table>
<thead>
<tr>
<th></th>
<th>Train Km per member of</th>
<th>Ave passenger</th>
<th>Ave freight train loading</th>
<th>% support from public</th>
</tr>
</thead>
</table>

\textsuperscript{10} First Group preliminary results for the year to 31 March 2006 available at \url{www.firstgroup.com}

\textsuperscript{11} The Scotsman, Thursday 18 May 2006
<table>
<thead>
<tr>
<th></th>
<th>staff</th>
<th>train loading</th>
<th>funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BR</td>
<td>Eur ave</td>
<td>BR</td>
</tr>
<tr>
<td>1986-87</td>
<td>2,990</td>
<td>2,162</td>
<td>95</td>
</tr>
<tr>
<td>1987-88</td>
<td>3,127</td>
<td>2,233</td>
<td>97</td>
</tr>
<tr>
<td>1988-89</td>
<td>2,928</td>
<td>2,133</td>
<td>96</td>
</tr>
<tr>
<td>1989-90</td>
<td>3,422</td>
<td>2,301</td>
<td>92</td>
</tr>
<tr>
<td>1990-91</td>
<td>3,289</td>
<td>2,320</td>
<td>89</td>
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<tr>
<td>1991-92</td>
<td>3,106</td>
<td>2,424</td>
<td>86</td>
</tr>
<tr>
<td>1992-93</td>
<td>3,205</td>
<td>2,527</td>
<td>86</td>
</tr>
<tr>
<td>1993-94</td>
<td>3,463</td>
<td>2,220</td>
<td>83</td>
</tr>
</tbody>
</table>

4.3. In the one instance where the now wound-up Strategic Rail Authority (SRA) removed a private operator from a franchise the results are noteworthy. Connex was the franchisee in South East England which was the second largest passenger franchise in the UK, employing around 3,500 staff, serving 182 stations and carrying approximately 400,000 passengers a day.\(^\text{12}\)

4.4. During the period between 1996 and November 2003 when Connex operated South Eastern passenger services they received more than £500million in public subsidy.\(^\text{13}\) In December 2002 Connex requested additional money from the SRA and were awarded £58.9million.\(^\text{14}\) However the SRA became increasingly concerned about the operation of the franchise and stripped Connex of control 2003. The SRA press release announcing their action explained “Reasons for this decision include Connex’s failure to meet a detailed action programme of improvements which was a requirement before the SRA was prepared to consider any increase in subsidy for the period 2004-6”\(^\text{15}\)

\(^{12}\) National Audit Office report: The South Eastern Passenger Rail Franchise, December 2005

\(^{13}\) Strategic Rail Authority Annual Report 2005

\(^{14}\) National Audit Office report: The South Eastern Passenger Rail Franchise, December 2005

\(^{15}\) Strategic Rail Authority press release 27 June 2003
4.5. Between 9 November 2003 and 1 April 2006 the former Connex services were operated by South Eastern Trains (SET), a subsidiary of the SRA.

4.6. Under public control performance improved significantly. In the year to 30 September 2003, the private sector operator Connex operated 78.7% of services on time.\(^\text{16}\) In the year to 31 December 2004, their first full year of operating passenger services, South Eastern Trains ran 83.6% of trains to time.\(^\text{17}\) This was a better performance than that of the train operators with whom South Eastern Trains (SET) is most readily compared: South West Trains and Southern, who operated 77.4% and 80.7% of trains to time respectively.\(^\text{18}\)

4.7. The Catalyst report: *Renaissance Delayed? New Labour and the Railways* maintains that the experience at South Eastern Trains demonstrates, “the private train operators are no more efficient either in financial or non-financial terms than their publicly owned counterpart” and “There simply is no justification for continuing with the franchising of train operations to private providers if, as independent analyses and the practical experience of South Eastern Trains indicates, the service can be provided just as well by the public sector without the extra costs and disruption of privatising them.” The report recommends that services should be taken back in-house as their franchises expire.

4.8. The December 2005 National Audit Office Report: *The South Eastern Passenger Rail Franchise* maintains that “improvements in Network Rail’s performance have made the single biggest contribution to reduced train delays on train services across the national rail network and for SET and its comparator TOCs, as Network Rail continued to improve

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16 Strategic Rail Authority: National Rail Trends 2003-2004 Quarter 2
17 Strategic Rail Authority: National Rail Trends 2004-2005 Quarter 3
18 Strategic Rail Authority: National Rail Trends 2004-2005 Quarter 3
from low levels of performance after the Hatfield derailment in October 2000”.

4.9. The promoter of the Bill is of the view that Network Rail improvements have been assisted in no small part by the removal of private sector companies, including Balfour Beatty and Jarvis, from maintenance work on the railway infrastructure. This has both reduced costs and introduced a unified management structure which has been able to deal more efficiently with infrastructure maintenance functions. Indeed, the 2005 Network Rail Limited Annual Report and Accounts explains “The bringing in-house of maintenance has been a success on both operational and financial fronts”.19

4.10. In terms of value for money the National Audit Office (NAO) report considered that if South Eastern Trains ran passenger services until the end of March 2006 it might, on a like-for-like basis, cost the taxpayer £6million less than the amount the SRA had estimated. The NAO explains that “SET’s costs to the taxpayer have therefore been well controlled to keep them in line with the SRA’s original estimate”. In the event South Eastern Trains was re-privatised on 1 April 2006.

4.11. The NAO also estimated that until March 2006, SET might, on a pro-rata basis, cost almost £22million more than the £383million that Connex had been prepared to accept to run the franchise. Importantly, the NAO goes on point out: “The SRA had little confidence, however, that CSE would be able to run the franchise within the £383million it was prepared to accept.”

5. What will the Bill proposal do?

5.1. It is proposed to introduce a Bill utilising the significantly improved powers conferred on Scottish Ministers by the Railways Act 2005 to

19 Network Rail Limited 2005 Annual Report and Accounts, page 7
compel Scottish Ministers to remove the profit motive from the railway services in Scotland and deliver consequent improvements in service delivery.

5.2. Under the 2005 Act Scottish Ministers must consider tenders and determine which operator shall be granted the franchise to run the rail service. The 2005 Act effected this change by amending the primary piece of legislation governing rail services across the whole of the UK, the 1993 Railways Act. As amended the 1993 Act currently provides the Scottish Ministers with, among other things, the following powers in relation to Scottish only services:

- To act as “appropriate designating authority” and “appropriate franchising authority” (S’s 23 & 30);
- To designate which rail services ought to be provided under a franchise agreement (S28);
- To issue invitations to tender for a franchise (S24);
- To grant the franchise (S24);
- How to act in the event of there being no adequate tenders (S26ZA);
- To run the service, as an operator of last resort, in the absence of a franchise (S30)

5.3. The key to this Bill proposal is sections 26ZA and 30 of the 1993 Act as amended. By section 26ZA the Westminster Government specifically provides the Scottish Ministers with the power to “decide not to seek to secure the provision of [rail] services under a franchise agreement,” (S26ZA(2)(c)) where they “receive a tender but consider that the services would be provided more economically and efficiently if they were provided otherwise than under a franchise agreement entered into in response to the tender” (S26ZA(1)(6)). In these circumstances the Scottish ministers may choose to run the service on their own under section 30.
5.4. The Bill which will emerge from this Bill proposal shall set out the circumstances where the Scottish Ministers shall conclude that passenger rail services shall be provided more “economically and efficiently” if they were provided otherwise than under a franchise agreement entered into in response to a tender and additionally when the Scottish Ministers shall decide to run the service as an operator of last resort.

5.5. Nothing in the proposal shall or will attempt to alter the duty on Scottish Ministers from time to time to invite tenders for rail services under the 1993 Act or any other legislation.

6. Benefits of this proposal

6.1. This Bill proposal will direct Scottish Ministers to use their new powers under the Railways Act 2005 to deliver a not-for-profit rail service able to concentrate on quality of service and good employment practice rather than the pursuit of maximum profit. The taxpayers of Scotland will benefit from access to an improved rail service at the same level for less public subsidy, while rail users will benefit from improved service and more stable fares once the need to generate maximum profit is removed from the system.

6.2. It is also the case that running rail passenger services on a not-for-profit basis will free the management team from the time consuming business of preparing for a franchise tendering exercise. Instead, delivering a good, economic and efficient service to the travelling public will be the primary concern. In an interview with the Times on 20 April 2004 Michael Holden, managing director of South Eastern Trains, made the point that “bidding for franchises takes management time and time is the most precious commodity we have. We have been able to declutter the agenda and focus everyone on running the railway better”.

6.3. Post-privatisation billions of pounds of public money has been spent on Scottish rail services. Operating passenger services along the lines in the Bill proposal will see greater transparency, democratic oversight and accountability replacing the current arrangements which are shrouded in the cloak of commercial confidentiality. Three recent Parliamentary Questions help illustrate the point.

**S2W-25212 - Alex Neil (Central Scotland) (SNP) (Date Lodged 12 April 2006):** To ask the Scottish Executive what proportion of First Scotrail's operating budget is met by subsidy from public funds, and what proportion of the Strathclyde Partnership for Transport's operating budget is met by revenue raised from collection of fares.

*Answered by Tavish Scott (12 May 2006):* Financial information relating to First ScotRail’s operating costs is commercially confidential and cannot be released. However, the Scottish Executive will pay First ScotRail approximately £1.9 billion in ScotRail franchise payments over the seven-year life of the franchise, subject to variation according to performance.

None of Strathclyde Partnership for Transport’s operating budget will be met from fares revenue collected under the ScotRail franchise.

**S2W-18287 - David Davidson (North-East Scotland) (Con) (Date Lodged 2 August 2005):** To ask the Scottish Executive which routes on the ScotRail network are profitable.

*Answered by Tavish Scott (7 September 2005):* Under the Franchise Agreement, the costs associated with the operation of rail services are transparent and full information on revenue levels is obtained by the Scottish Executive. However, financial information on profitability of individual routes is not available, as it is commercially confidential.
To ask the Scottish Executive how much of the fare revenue raised under the First ScotRail franchise has been (a) re-invested in services, (b) paid to First Group plc and (c) used for any other purposes, shown in cash terms and as a percentage of total revenue raised.

Answered by Tavish Scott (6 September 2005): The Scottish Executive has received excess revenue share from the First ScotRail franchise in respect of the franchise year ending in April 2005. Under the Franchise Agreement, First ScotRail Limited retain the remaining revenue. This in addition to the subsidy they receive covers their operating costs and profit. The sum received by the Scottish Executive was used to lower the subsidy paid to the franchisee.

Information on the revenue raised under the ScotRail franchise is commercially confidential.

It is widely accepted that train fares are too expensive and ticketing structures are fragmented and overly complex.

On 19 May 2006 the House of Commons Transport Select Committee published the: How fair are the fares? Train fares and ticketing report. The Committee found that the ‘see how much we can get away with’ attitude of the train operators had “put the thumbscrew on passengers who have no option but to travel on peak-hour trains, using fully flexible Open fares. Such behaviour has brought not only individual train operators, but the passenger railways in general into disrepute”.

In January 2006 ScotRail passengers faced an average increase of 3.9% in regulated fares and 3.7% in unregulated fares. Renewals on season tickets made before 17 December 2005 could get 5% Passenger Charter
discounts in the Central, East and Strathclyde PTE areas. Press reports indicated that some fares between Edinburgh-Glasgow were increasing by up to 8.5% and between Glasgow-Stirling by up to 9.6%.  

6.7. It is self-evidently the case that if a not-for-profit provider operated rail services in Scotland then ScotRail passengers would benefit by not being, in the words of the 19 May 2006 Transport Select Committee report “held to ransom by a system that is deeply flawed”.  

7. Difficulties

7.1. This Bill proposal is a bold attempt to maximise the new powers conferred on Scottish Ministers by the Railways Act 2005 and use them in a directed fashion. The Member in charge of this proposal is confident the necessary legal competence exists to effect the change proposed in the running of rail services in Scotland. Of course the legislation is new and resistance to change is a constant impediment to progress. However, the Bill which will emerge from the proposal will effect a radical change in the nature of rail services in Scotland for the better.  

7.2. The Member in charge of this proposal would much rather see the fundamental change in rail service delivery sooner than at the end of the current ScotRail franchise agreement. The time between the passage of the Bill and the implementation of its instructions will ensure maximum preparation for the public sector to assume responsibility for delivery of a service that should never have been privatised in the first place. Any practical issues can be identified and resolved. Scotland’s rail passenger services will in the future be run for maximum quality and value for money and not for profit.

20 Association of Train Operating Companies press release 8 December 2005
21 Glasgow Evening Times 2 January 2006
8. **Financial implications**

8.1. The Bill proposal can bring savings to the Scottish taxpayer through the removal of the profit element from the current financial arrangement to deliver services. The level of public subsidy currently diverted into the pockets of First ScotRail directors and their shareholders could instead deliver better services and fairer fares.

9. **Questions**

- Do you consider the current system of private train operating companies to be inefficient and uneconomic? Can you provide any additional information to support your view?

- Should Scotland’s passenger rail services be run in the public interest or for the benefit of train operating company shareholders?

- Can the current level of Scottish passenger rail services be provided by the public or not-for-profit sector with the current level of subsidy paid to First Group? Please can you provide any evidence to support your view?

- Do you believe improvements in Scottish passenger rail services are currently required? If yes, which areas need the most urgent attention: e.g. safety, security, reliability, fare prices, frequency, and accessibility?

- Do you agree that Scottish Ministers should be directed to use their new powers under the Railways Act 2005 to deliver the change in the way rail services in Scotland are provided as proposed by the Bill? If so, why?

- What do you consider to be the Equal Opportunities implications of this Bill proposal?
• Do you have any additional comments on this Bill proposal?

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North-East of Scotland Regional Transport Partnership (NESTRANS)
Shetland Transport Partnership
South-East Scotland Regional Transport Partnership (SESTRAN)
South-west Regional Transport Partnership
Strathclyde Partnership for Transport
Tayside and Central Scotland Regional Transport Partnership (TACTRAN)
Forth Estuary Transport Authority
VisitScotland and other tourist bodies

Passenger bodies including:
Passenger Focus (former RPC)
Mobility and Access Committee Scotland (MACS)

Equalities bodies including:
Equal Opportunities Commission
Disability Rights Commission
Age Concern
Commission for Race Equality
Scottish Accessible Transport Alliance

Civic society organisations including:
Scottish Trades Union Congress and all affiliated trade unions and trades councils
Scottish Council for Voluntary Sector (SCVO)
Scottish Council of Churches
Scottish Women’s Convention
Scottish Youth Parliament
Scottish Pensioners Forum

**Rail Industry, including**
Association of Train Operating Companies
Network Rail
First Group
GNER
Virgin
EWS
Freightliner
Direct Rail Services

**Business organisations, including**
SCDI
CBI
Scottish Enterprise
Scottish Chamber of Commerce
Social Enterprise Coalition

**Other organisations, including:**
Scottish Environment Link
TRANsform Scotland
Scottish Association of Public Transport
Confederation of Passenger Transport UK
SPOKES (and other cyclist lobby organisations)
Transport 2000
All Members of the Scottish Parliament

**Academic Institutions and researchers, including**

Napier University – Transport Research Institute
Robert Gordon University Aberdeen – Centre for Transport Policy
Scottish Centre for Public Policy
The Institute of Logistics and Transport
Railway Forum

**Political parties, including:**
Scottish Labour Party
Scottish National Party
Scottish Liberal Democrats
Scottish Socialist Party
Scottish Green Party
Scottish Conservative Party