

Response to ORR consultation on on-rail competition

This is yet another consultation exercise that suggests changes within the framework of the existing rail industry structure but avoids addressing the fundamental truth that that structure is inherently flawed, inefficient, unworkable, incompetent, unsafe and ultimately unsustainable. The volume of taxpayer funding required to support the privatised rail industry compared to when it was state-owned is nothing short of scandalous, and this situation cannot be resolved without abandoning the present industry structure and the whole concept of franchising passenger rail services. The government imposed this model with the promise of increased efficiency and a corresponding reduction in cost to the taxpayer, yet the opposite has occurred. It has had some fifteen years now in which to demonstrate that it can be adapted to become an efficient and workable system but has resoundingly failed to do so. With public subsidy to the rail industry now in the region of £5 billion per annum, as against £1 billion before privatisation, it is abundantly obvious that this privatisation has failed spectacularly. The government is in denial over the situation, unable to admit that privatisation of the rail industry has been a monumental failure and unwilling to make the necessary legislation to enable its restoration to a unified structure that best serves the interests of passengers and taxpayers rather than siphoning their money into shareholders' bank accounts.

Compelling taxpayers to contribute five times as much subsidy towards the rail industry – not to effect any improvement in services but solely to support a structure that satisfies the demands of right-wing 'small state' dogma – is indefensible. By sticking with the discredited franchising model when it has so demonstrably failed, the government fails in its moral obligation to govern in the best interests of the country and its people; any reasonable person might regard this as irresponsible or worse. Rail privatisation has failed both passengers and taxpayers, and it has failed to such a great extent that it is beyond any hope of redemption and total abandonment of the present industry structure is the only realistic option for the long term future.

The consultation is grounded on the false premise that competition in the provision of rail services benefits passengers. It does not. It should not be assumed that competition is some kind of panacea. Competition (or 'choice') is fine and desirable when purchasing luxury items, but when applied to the delivery of essential public services, it is most usually a con and an abdication of responsibility by government, designed to let the market determine which services prosper and which are cut. Wherever there is competition, there are inevitably winners and losers, and section 3.25 of the consultation document provides an illustration of that, where rival bus companies provide competing services. Increased competition in the rail industry increases the likelihood that some TOCs will fail in the future (just as some have done previously), leaving the taxpayer to pick up the pieces. The down-sides of competition outlined in section 3.3 of the consultation document are already a reality.

Competition cannot exist without fragmentation, but fragmentation has already crippled the rail industry, rendering it inefficient and dysfunctional. Currently, the multitude of TOCs, each with their own set of conditions, is a source of great confusion to passengers and results in a lack of coordination between services, such as poor connections. Common sense dictates that a coherent, united industry functions more effectively and efficiently than one that is in competition with itself. It is an undeniable fact that when the railways were run by British Rail under state-ownership, they were considerably more efficient than they are now and delivered much better value for money to passengers and taxpayers. The same is true of state-owned railways in other European countries; they remain considerably more efficient than Britain's privatised rail system. A railway is a complex system, and one that is owned and operated by a unified organisation is better placed to coordinate services, plan strategically and manage safety across the industry. Furthermore, the recurring pantomime of franchise renewals, the contracts and confrontational relationships between individual companies, delay attribution, and the layers of regulation and duplication can all be dispensed with.

Comparison with competition in the air transport industry is not particularly helpful or relevant. Unlike rail, air transport is generally profitable and may be regarded as a 'luxury purchase'; nobody *needs* to fly. A market for air transport exists, and the private sector has stepped in to provide it. That is all very fine. Rail travel, on the other hand, should be regarded as an essential public service, not necessarily profitable, but something that is worthwhile funding by the state within reasonable limits and of too much importance to expose to the uncertainties of market forces – and it is not a genuine market but a phoney artificial one that has had to be concocted by government to accommodate its ideologically misconceived policy.

I do not consider 'on-rail competition' (what a dreadful phrase that is) to be either necessary or desirable. The railways are, and always have been, in competition with alternative modes of transport, both for passenger and freight traffic, and are often at an unfair disadvantage. This competition alone provides the rail industry with ample incentive to remain competitive. Internal (or 'on-rail') competition is quite unnecessary and potentially counterproductive. Even if implementing some of the measures outlined in the consultation document did result in a slightly improved deal for taxpayers (and there is no guarantee that they would), it would be a mere drop in the ocean when viewed against the massive ongoing burden that the existing not-fit-for-purpose industry structure places on them. I therefore oppose the introduction of more 'on-rail' competition on the grounds that to do so is dependent on perpetuating or worsening the present fragmented industry structure and does nothing to resolve its underlying major faults.

Simon Lowe, 24th November 2011