

Written evidence submitted by Mrs Laura Wright (RRB0009)

1 Introduction

- 1.1 I am an independent consultant to the transport sector specialising in rail policy and strategy. I am passionate about helping those in the transport and logistics sector have clear strategy and policy, that anticipates and responds to an ever changing regulatory, legal and political context.
- 1.2 I have experience on many aspects of rail reform and my evidence is presented in a personal capacity.
- 1.3 I have worked with railways around the world on policy, both through international rail trade associations and as clients. I have undertaken comparative studies on pros and cons of railway structures and made submissions on international comparators to the original Williams Review. Subsequently I have worked with clients on rail reform including on advising on simplification and changes to the Access and Management Regulations.
- 1.4 Finally, whilst the UK was still a member of the EU, I was responsible for influencing European legislation on behalf of the rail industry including the First Railway Package Recast and the Fourth Railway Package – some of this acquired EU law is now being considered for change as part of rail reform.
- 1.5 My experience has led me to have a particular interest in liberalisation of railways – both at home and overseas – and encouraging private participation in the market.

2 What will be the effect of the requirement on the IRB to prepare an annual report setting out what it has done to increase private sector involvement in the running of railway services?

- 2.1 Each year around £757 million of private investment is made in our railways. It has been instrumental to some of the successes of our railway system and helps reduce taxpayer burden. For the freight sector private involvement leverages investment in facilities and training and in the passenger world competitive open access services reducing ticket prices to driving customer service innovation.

- 2.2 Whilst it is important for the new Integrated Rail Body (IRB) to report on the increase in private investment in the running of railway services, guidance and implementation of the legislation will have to go much further than the words in the Draft Bill.
- 2.3 Great British Railways Transition Team (GBRTT) published its report into simpler, better railways with sensible recommendations to remove some overly prescriptive provisions in legislation (Access and management Regulations 2016). It would, therefore, not be sensible to now create a very detailed Rail Reform Act in its place. However, strong guidance should make Section 4C more purposeful.
- 2.4 To make the report more meaningful there needs to be a clearer policy position on the role of the private sector in the railways. Sometimes the policy is confused. There is an uneven balance of a desire for private sector involvement and unattractive management of the private sector, for example, through overly detailed contracts. Reporting against an unclear policy objective would be meaningless.
- 2.5 Secondly, the report would need to be both quantitative and qualitative. Involvement is not just about the money that can be brought in. It is also about how competition can drive improved passenger and freight customer service, how companies innovate to increase productivity and investment in long-term capital assets.
- 2.6 The report should also explore leverage. It should look at how public investment can attract and multiply private financing. For example, public grants such as the Freight Facilities Grant can unlock private investment, enhancing infrastructure, shifting more goods from road to rail with the associated climate and congestion benefits.
- 2.7 Finally, and most critically, blockers to private involvement should be explored. For example, these must include reviewing how poor long-term strategic planning and uncertainty can put off private investment and leave a bill to be picked up by the taxpayer regardless of whether they use the service. The report should review passenger service contracts, their complexity and management and whether this is incentivising or otherwise private involvement and willingness to shoulder risk.

- 2.8 The impact of greater ‘vertical integration’ in the IRB on competition should also be explored as a potential blocker. Closer working between infrastructure and passenger operator has benefits but can also suffocate the benefits of competition which are promoted by private involvement. The trend in Europe is for greater separation of infrastructure management and operations and specification with the aim of fostering competition and modal shift. There is strong evidence that separation helps fairer treatment of freight and open access operations. The report could provide insight into the extent that greater integration may be suppressing the benefits of private involvement and any potential safeguards that may need to be put in place.
- 2.9 In the first 21 years of privatisation – freight attracted £2.8 billion of private investment to the industry. If there is discrimination – even unintentional – as a result of greater integration of track and passenger train, then their involvement may be hampered. It will also affect their ability to achieve the Government’s rail freight growth target.
- 2.10 A further blocker could be in the Draft Rail Reform Bill itself. The Section 16 powers to make consequential provisions could create market uncertainty and deter long-term – particularly capital – investment. So-called Henry VIII powers could deter private operators – including open access – as they may feel vulnerable to legislative changes. Whilst this may be the opposite intent of the drafting, there could be a vulnerability if, for example, policy changes towards greater nationalisation or more stringent revenue abstraction rules.
- 2.11 Open access provides many benefits to passengers from reduced fares to service innovation. The benefits in the UK have been well-documented and we have seen a shift in Europe to follow this model. Italy has seen open access operator Italo establish a national high-speed network, investing in rolling stock and services, growing the overall market and modal shift away from airlines. Spain has opened its high-speed to open access competition with the primary purpose of growing rail’s market share.
- 2.12 Careful consideration of the need for the so-called Henry VIII powers and their scope will be important.

2.13 There is an opportunity to simplify and improve our railways through reform and continue to see benefits of private sector involvement. However, the Draft Rail Reform Bill could inadvertently undermine this without very clear guidance, strong implementation and legislative certainty.

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