RTP0008

Written evidence submitted by National Union of Rail, Maritime and Transport Workers

RMT evidence submission

As Committee members will be aware, the recently published National Audit Office (NAO) report into Rail Reform: The rail transformation programme found that the DfT had made 'limited progress' against its plans for rail reform. In December, the DfT had assessed that of the 12 high-level benefits it wanted to achieve through rail reform, five were rated 'red' and seven were 'amber'.

The Government had argued that one of the key drivers of rail reform was the need to make cost savings to address what it saw as 'unsustainable' costs of the rail network. Whilst subsidies to rail operators obviously increased as a result of Covid, as the NAO reports, even before the pandemic, the net difference between revenue collected and Government costs was decreasing. By 2018-19, the train operating companies were already receiving a net subsidy from the Government, with £417m paid out in subsidy to the train operators, and £227m received by the Government.[1]

DfT had anticipated that it would make savings of £2.6bn by 2024-25 and that the 'majority of these savings would come through workforce reform'. The DfT admitted that achieving these workforce reforms were 'particularly high risk' as they would be subject to negotiation with trade unions. There have, as the Committee will be aware, been long-standing disputes between the RMT and train operating companies as a result of workforce reform proposals that sought to attack members jobs, pay and conditions.

The workforce reforms proposed by DfT, of course, included the closure of nearly all ticket offices, and the associated loss of around 2300 jobs. As the Committee will be aware, in October, following an unprecedented public backlash, the proposals for ticket office closures and job losses were reversed by the Government. Other proposals put forward by the rail sector in negotiations with the RMT, including Driver Only Operation, were also withdrawn by the Government.

The DfT told the NAO that it will no longer achieve the £2.6bn savings it anticipated by 2024-25. Instead the savings will be closer to £2bn and a 'significant proportion' of the savings 'will not be cash-releasing savings'.

The DfT reported to the NAO that it will have spent £0.4bn by March this year (less than originally anticipated) as a result of rail reform. This figure, of course, does not include the direct and indirect costs associated with the prolonged industrial action taken by rail workers. In January 2023, the Rail Minister Huw Merriman MP admitted to the Transport Select Committee that the costs of the rail dispute at that time stood at around £1bn, and that it

[1] https://dataportal.orr.gov.uk/media/1547/rail-finance-statistical-release-2018-19.pdf

would have cost less to settle the dispute months before[2]. Since then, a number of further days of industrial action have taken place, suggesting the total costs will now have exceeded £1bn.

The Government had also anticipated achieving steady state savings of £1.5bn a year by 2026-27 through de-duplication and integration. However, these savings were in large part dependent on DfT establishing Great British Railways, which has, of course, now been pushed back to the next parliament. On top of the savings that could be achieved by ending fragmentation and duplication, RMT conservatively estimates that a further £500m a year leaks out of the railway sector in the form of private sector dividends to Train Operating Company owning groups, rolling stock companies and sub-contractors of Network Rail. Yet, as RMT set out in our response to the Transport Select Committee's pre-legislative scrutiny of the Draft Rail Reform Bill[3] the proposed legislation is a 'missed opportunity to create a genuinely integrated and unified railway' that RMT believes is the model that will provide best value for money for taxpayers and the treasury. The Government's draft Bill has maintained the ideological obsession with the private sector and retains the prohibition of public sector operators. The result of this is that the Government's plans for rail reform will do little to address the fragmentation of the railway and the leakage of public money and passenger income to private sector shareholders.

It is also notable that some of the policies pursued by the Government through rail reform are known to hinder passenger demand, and hence revenue. For instance, in its response to the ticket office closure consultation, Transport for the North stated that:

> *The industry's Passenger Demand Forecasting Handbook (PDFH)* ***specifically identifies the presence of a staffed ticket office as a factor which attracts demand****, with a significant uplift over the presence of TVMs only. The impact varies depending on the purpose of the journey being made, and between urban and rural stations, but the* ***Rail Delivery Group's (RDG) research indicates that closing staffed ticket offices would have a measurable impact****.*

The handbook referenced here is the rail industry's main source of research on the factors affecting passenger demand, it is 'owned' by the Rail Delivery Group (RDG) of which the DfT is a member. Whilst the ticket office closure programme has now been scrapped, that one of the DfT's key proposals for workforce reform savings was a policy known to have a measurable (negative) impact on passenger demand, raises questions about why these policies were being pursued in the first place.

The public deserve answers from the DfT to the following questions:

- DfT told the NAO that not only will it make fewer savings by 2024-25 than anticipated, but that a 'significant proportion' of the anticipated £2bn will not be cash releasing savings. Given that the majority of the originally anticipated £2.6bn savings were coming from workforce reform, can you explain in more detail where this

[2] https://www.theguardian.com/uk-news/2023/jan/18/rail-strikes-cost-uk-1bn-and-settling-would-have-been-cheaper-minister-admits#:~:text=1%20year%20old-,Rail%20strikes%20cost%20UK%20%C2%A31bn%20and,have%20been%20cheaper%2C%20minister%20admits&text=Rail%20strikes%20have%20cost%20the,a%20government%20minister%20has%20admitted.

[3] https://committees.parliament.uk/writtenevidence/129149/pdf/

anticipated £2bn will come from? Is it no longer workforce reform? How much of the savings will be cash releasing and how much will be non-cash releasing? Where are the non-cash releasing savings coming from instead?

- The costs of rail reform cited by the DfT, i.e. £0.4bn by March of this year, presumably do not include the costs of industrial action by rail workers as a result of proposed rail reforms? The Rail Minister put this cost at £1bn in January 2023, but we've had more industrial action since then. What is the total figure for the direct and indirect costs of industrial action to date?
- Last January the Rail Minister told the Transport Committee that it would have been much cheaper to settle the disputes months before and put the costs then at £1bn. Presumably the cost is well in excess of that by now. Surely that is not a good and efficient use of public money?
- The Government has also said it will not make the steady state savings of £1.5bn a year from 2026/27 because that requires the creation of GBR. In addition to this, the RMT estimates that a further £500m leaks out of the system every year in dividends to private rail companies. The Government's draft Rail Reform Bill retains the prohibition on public sector operators (except when taken into public ownership via the Operator of Last Resort). What assessment has the government made of the savings that could have been achieved through creating a single integrated railway in public ownership, instead of pursuing what the DfT itself admits was a 'high-risk' strategy centred around workforce reform?

May 2024