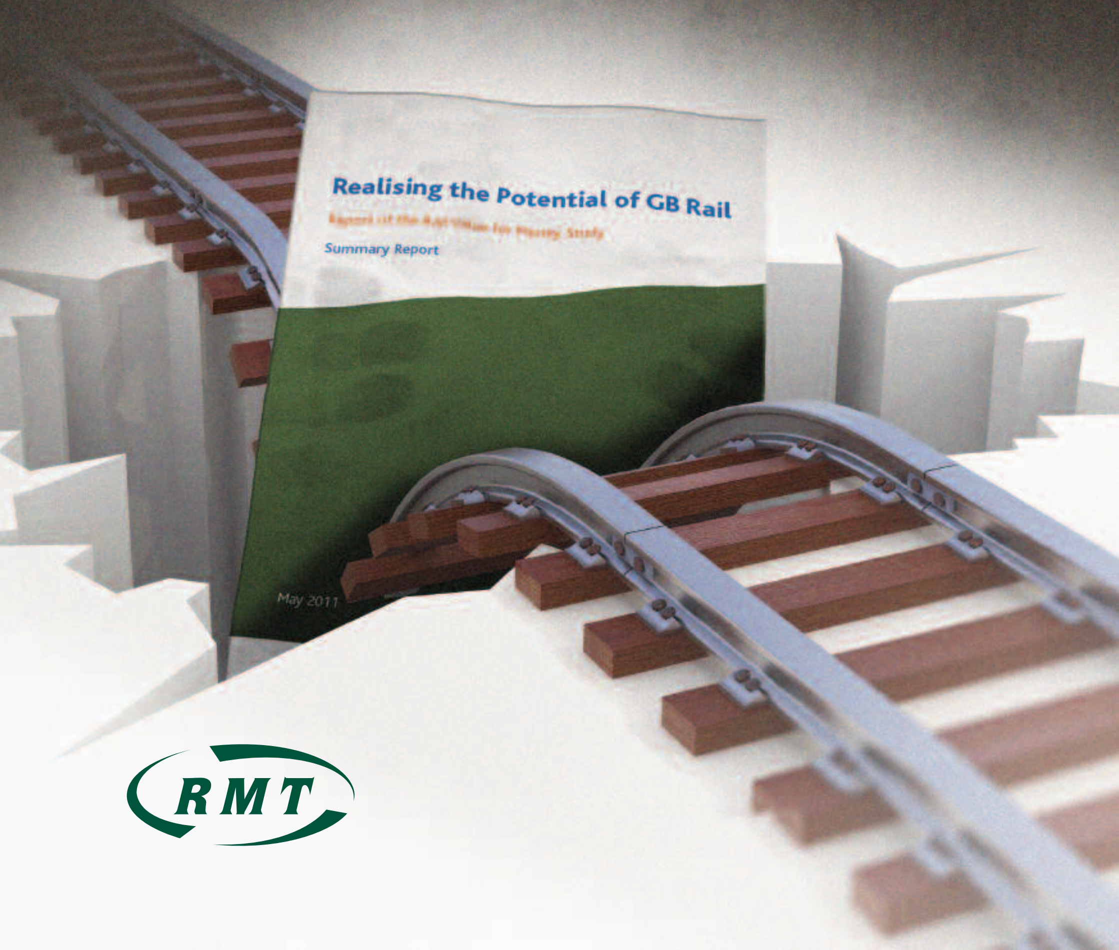
PAYING FOR PRIVATISATION

RMT briefing on the McNulty Report into the Railways



RMT

Introduction by RMT general secretary Bob Crow

The McNulty review was commissioned by the last Government and continued by the current Government to “improve value for money to passengers and the taxpayer”.

The basic message from the McNulty report is that rail workers and passengers are being asked to pay the price of rail privatisation. The multitude of private competing interests who make up our fragmented industry are not only let off the hook, but are given even more powers.

The report is far from independent. It is based on the same crack pot ideology that led to the original privatisation of our railways. As such it is full of misinformation and inaccuracies. For example the review ignores the fact that rail workers in Britain are amongst the most productive in Europe. The most sensible solution to the railways’ problems would be re-nationalisation yet the report hardly gives this a mention. It even refuses to acknowledge that railways in Europe are cheaper for the tax and fare payer because they are in the main more integrated and in the public sector.

If the government implements the McNulty report, the railways will become even more fragmented and complex with a significant shift of power to the privatised train operators. Regional services will be under threat and fares, which are already the most expensive in Europe, will become even less affordable.

And make no mistake, the McNulty review represents the biggest attack on rail workers jobs, pay and conditions since privatisation. Every aspect of the McNulty report will directly impact on the livelihood of rail workers. No grade will be left unaffected and all grades will have to unite to defend pay and conditions.

At the moment the McNulty report is a recommendation to the Government. In the autumn the Government will produce a rail policy White Paper which may reflect some or all of the McNulty report.

In the months ahead, RMT will be highlighting the dangers of McNulty and campaigning to defend jobs, conditions and the future of our railways. This campaign will involve all members, the wider union movement, passengers and communities.

This pamphlet gives you the facts to support that campaign.

Unity is strength

Bob Crow

Bob Crow, RMT General Secretary

McNulty:Key points

McNulty has concluded that fragmentation and privatisation has resulted in a massive increase in costs. He says the railways since privatisation;

- Require three times as much public subsidy and are three times more expensive to run
- Are 30 per cent less efficient than other railways in Europe and other privatised industries
- Is a industry of competing interests which lacks effective co-ordination, for example "the incentives of Network Rail and TOCs are almost completely different"

Right diagnosis, wrong medicine

RMT agrees our railways are more expensive than those in Europe because of the breakup and privatisation of the industry. What was once a single unified publicly owned railway has been broken up into scores of competing private companies. This has resulted in almost £1billion a year leaking out of the industry caused by private sector borrowing costs, numerous interfaces and dividend payments to shareholders.

Yet McNulty and the government are ideologically wedded to privatisation, so they have ruled out reintegrating the railways under public ownership. The report instead proposes a series of measures which will entrench and extend fragmentation and privatisation. These can be summarised as follows:

Railtrack 2 - more fragmentation

Having identified fragmentation and the pursuit of self interest as a major barrier to efficiency McNulty then proposes the fragmentation of Network Rail turning it into a "holding company, with route-level concessions operated by its subsidiaries or managed by other organisations."

Pressing for re-introducing the pursuit of profit in signalling operations and rail maintenance, McNulty says "it is vitally important that the infrastructure managers and the train operators have a commercial interest in each other's cost and revenues".

If McNulty's recommendations are adopted most franchises and Network Rail regions will be operated on a joint revenue and cost basis within the next five years. A number of Network Rail routes could also be completely taken over by private train operators. Giving the TOCs greater power over infrastructure will also be a further blow to the freight industry as passenger services will also inevitability be prioritised over freight trains.

McNulty's proposals to fragment and sell off Network Rail are further proof his report is driven by the dogma of privatisation rather than an assessment of the facts. In his report McNulty has to admit that "NR has made considerable progress since its inception." and "NR operating and maintenance...costs are now at the same level as 1996/7". Which begs the question if such improvements are being made why now advocate the breakup of the company?

Less staff, more risks

The report makes it clear that rail workers must pay for the failure of privatisation with their jobs, with 35 per cent of McNulty's total proposed savings being achieved through reducing staff costs. Numerous grades are threatened with widespread job losses. Coupled with the remit of the new National Safety Task Force (NSTF) to "discourage undue risk aversion and excessive double checking" the industry is faced with massive job cuts and increased safety risks.

Modern signalling systems and the acceleration of new operating centres will lead to "staff and cost savings" while station staff are also lined up for massive jobs losses with the TOC's urged to "review station staffing as a matter of priority." There will be proposals to make it easier to close ticket offices while "extending the range of ticketing retail locations". This will lead to the halving of the number of ticket offices on the network with the closure of all ticket offices at small sized stations, reduced opening hours at medium sized stations and closure of windows at larger stations.

Driver Only Operation (DOO) is described as "a safe method of operation" and that "the default position for all services on the GB rail network should be DOO, with a second member of train crew only being provided where there is a commercial, technical or other imperative". McNulty recommends that all train services could become DOO by 2013.

Despite contributing to Network Rail's "considerable progress," maintenance and renewals staff will suffer further job losses as their work will only be applied to "critical, as opposed to non-critical assets, this reducing the number of inspections and associated costs". The reports also makes clear that "automating track inspection and using components that require less maintenance...should reduce staff costs."

Less pay, more hours

The report says those who keep their jobs will be expected to work more hours for less pay: -

"The expectation that salaries, at all levels of the railway industry, will increase ahead of inflation has to end. Indeed, with many passengers and taxpayers having their salaries frozen at present, even the granting of inflation-level increases must be questioned."

"The overall trend to reduce continually the length of the working day and the working week is unsustainable. A starting point would be to review the salaries and employment terms for new entrants to the industry".

Lies, damn lies and McNulty

McNulty claims that rail workers should lose their jobs and have worse pay and conditions because he says there has been a 50 per cent increase in staff costs since privatisation. This claim is riddled with inaccuracies and misinformation.

- McNulty ignores the fact that due to economic growth over most of the period of the study passenger journeys have gone up by 59 per cent, passenger kms by 50 per cent and passenger revenues per member of staff by 56 per cent. So staff productivity has more than offset increases in staff costs.
- The report is guilty of even more blatant misinformation by choosing to remove figures from the summary report provided to the media and politicians which shows that UK rail workers are actually ranked amongst the most productive of all European countries.
- The report also falsely states "working practices and agreements within the industry have not undergone any significant changes for many years if not decades" when the reality is nearly every grade on the railway has undertaken a restructuring in terms and conditions.
- McNulty omits to mention that unit wage costs (workers pay per output) for the railway have actually risen at a slower rate than unit wage costs in the whole economy.
- It is therefore not surprising that in a letter to the TUC dated 10 May 2011 McNulty was forced to admit that "there is no strong correlation between staff costs in the rail industry and public subsidy". It is also not surprising that this admission did not find its way into the final McNulty report!
- Costs that have increased are the thousands of highly paid lawyers and consultants arguing over the multitude of contracts that exist between hundreds of different competing companies. An example of this costly bureaucracy is Network Rail employing 600 lawyers on the books doing nothing other than negotiating with the train operators on who is responsible for delays and assorted service failures

Less regulation, more profiteering

The study argues that there is too much government involvement in the industry and even more power should be passed to the private sector:

- there should be “longer, less prescriptive franchises” with more “commercial freedom”
- Transferring the regulation of franchises away from the government to the unaccountable quango of the Office of Rail Regulation.
- Proposed removal of Schedule 17 arrangements which regulate ticket office opening hours and have allowed passengers and workers to challenge ticket office closures or reductions in opening hours.

In contrast the Rolling Stock Leasing companies which have contributed to a massive escalation of costs are left largely untouched.

Paying more for less

If implemented the report will create the conditions for significant fare rises and cuts in services.

McNulty calls for a reduction in coverage of Off-Peak/Saver fares. Combined with the Government’s decision to introduce RPI plus three per cent inflation fare increases over the next three years, even more people will be no longer afford to travel on our railways.

McNulty’s claim to be protecting rail services also rings hollow. By ruling out cuts in fares the only way that McNulty can achieve his proposed five per cent increase in train utilisation will be to pack even more passengers on overcrowded peak trains or cut less used services. This will be underpinned by cost cutting bids for less prescriptive, less regulated franchises. And, regional railways are lined up for significant cuts by being criticised for being up to six times more expensive to fund than Long distance and London / South East services.

Rail Delivery Group - Rewarding Failure

Instead of taking on the competing and vested interests in the rail industry, McNulty recommends that they be given even more power through the establishment of a Rail Delivery Group (RDG) made up of Executives from TOCs, Network Rail and a freight operator to drive through change.

As the table below shows there is no trade union involvement in the Rail Delivery Group which is comprised of a number of competing companies who have created an industry that has paid them enormous salaries and billions of pounds in shareholder dividends. In essence those responsible for the current failed privatisation of the railways are to be gathered into a group to oversee the further privatisation and fragmentation of the industry.

The New Rail Delivery Group as of 19 May 2011

Company	Name	Position	Company Remuneration
Abellio	Anton Valk	Chief Executive Officer of NedRailways BV	Not available
Arriva	David Martin	Chief Executive Officer	**£743,635**
D B Schenker	Alain Thauvette	Chief Executive Officer	Not available
Directly Operated Railways	Elaine Holt	ATOC Board	**£436,000**
			(Remuneration between 14 November 2009 and 31 March 2010 was £165,000 – the equivalent of £436,000 per annum)
First Group	Tim O'Toole (chair)	Chief Executive Officer	Awaiting report and accounts. Previous CEO received £643,000
Network Rail	David Higgins	Chief Executive Officer	Awaiting report and accounts, previous CEO received in excess of £1million
Freightliner	Peter Maybury	Chief Executive Officer	Not available
National Express	Dean Finch	Chief Executive Officer	**£1.35million**
Network Rail	Paul Plummer	Chief Executive Officer	**£720,000**
Stagecoach	Brian Souter	Chief Executive Officer	**£762,000**
Virgin	Patrick McCall	Group Commercial Director	**Not available**
Go Ahead	Keith Ludeman	Chief Executive Officer	**£1.2million**

The alternative to McNulty

If implemented the McNulty recommendations would be a disaster for the railways. Instead the railways should be renationalised to help create a railway that put the needs of the community, environment and economy before the vested interests of private rail companies. There is also clear evidence that this would deliver savings that would make our railways more affordable for passengers and the taxpayer.

- Railways in Europe are cheaper for the taxpayer and fare payer because in the main they are in public ownership and less fragmented.
- Independent research commissioned by the union has found that public ownership would save almost a £1 billion a year, the same savings demanded by McNulty. This is because the industry would no longer suffer from “cash leakages” caused by high private sector borrowing costs, numerous interfaces and dividend payments to shareholders.
- Union commissioned research has also found that Britain’s privatised railway is failing to realise potential economic, social and environmental savings of £13 billion a year when compared to the more integrated and publicly owned railways in France, Germany, Italy and Spain.
- Network Rail’s decision to bring rail maintenance back in house on a not for dividend basis has saved the industry £400m a year. A clear indication of the savings that all the industry could achieve by being re-integrated on a not for dividend basis.
- The process of reintegrating our railways under public ownership could begin quickly without the need to pay any compensation to the rail companies. Three quarters of rail franchises come to an end in the next five years. As a first step it would simply be a case of not renewing the franchises and placing them under public control.

Further reading and information

Please visit www.rmt.org.uk/mcnulty for more information including: -

- Bob Crow Interview on McNulty
- RMT Submission to McNulty
- RMT Press releases
- Parliamentary debates and motions

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