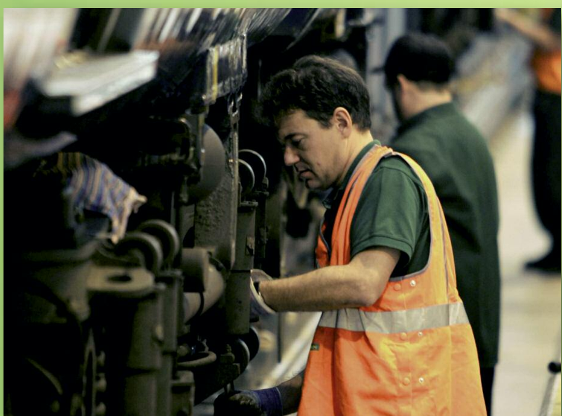
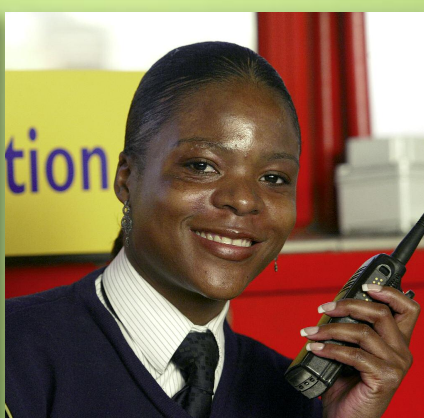
SAVE OUR RAILWAYS
TRADE UNION BRIEFING

WHY THE GOVERNMENT SHOULD REJECT THE MCNULTY REPORT



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WHAT IS THE MCNULTY

The McNulty report was commissioned by the government to “improve value for money to passengers and the taxpayer.”

But the report’s recommendations are a false economy which will worsen services to passengers and short change the taxpayer.

MCNULTY PROPOSES:

- the loss of tens of thousands of frontline workers such as train guards, station and ticket office staff, as well as safety critical infrastructure and operational workers
- even greater commercial freedom for train operators, higher fares, cuts in services, and more crowded trains
- the breakup of Network Rail and an end to its ‘not-for-dividend’ status, which will make the railway more fragmented and inefficient and will put profit before safety.

McNulty ignores lessons from railways in Europe which have achieved lower costs and fares through a more unified structure than Britain’s fragmented railways. And of course it has been the unco-ordinated short termism of our railways that has put the UK’s last train manufacturer in Derby on the brink of closure.

WILL THE GOVERNMENT SUPPORT THE MCNULTY REPORT?

In November the government will produce a rail policy White Paper (also being called a “Command” paper) which may reflect some or all of the McNulty report.

Rail workers are urging the government to reject the McNulty report and instead deliver an expanding railway, with affordable fares and proper staffing levels – a railway which is operated as a public service, and one which puts the needs of passengers, the economy, manufacturing and the environment before commercial considerations.

WHAT WILL BE THE IMPACT OF STAFF CUTS FOR PASSENGERS?

- Passengers will suffer a fall in service and safety standards. Some 35 per cent of McNulty’s total proposed savings are to be achieved through reducing staff costs. This is despite the facts that rail workers’ productivity has increased at a greater rate than labour costs, and that rail workers in Britain are amongst the most productive in Europe.
- To help achieve these savings McNulty proposes to remove guards from all trains by 2013. At the same time there will be widespread cuts to station staff and the number of ticket offices will be halved, leaving three-quarters of the entire network without any ticket offices.
- Cuts in staff will be a false economy which could result in fewer people using the railway. The cuts fly in the face of research by Passenger Focus and the government that demonstrates that station and train staff are important for passengers for ticket sales, journey advice and general assistance and reassurance.

REPORT?

WHY WILL THERE BE HIGHER FARES?

- Former Transport Secretary Philip Hammond has admitted that the railways are a 'rich man's toy', yet McNulty calls for a reduction in coverage of off-peak and saver fares. Combined with the government's decision to introduce RPI-plus-three-per-cent fare increases over the next three years, even more people will no longer be able to afford to travel on our railways. Passengers will be further squeezed by privatised train operators using greater commercial freedom to raise fares.
- In the last ten years the real cost of motoring has declined by eight per cent and the cost of flights has declined by 34 per cent, but rail fares have increased by 15 per cent in real terms. These further increases will make the 'plane and car more attractive than rail, and make a mockery of David Cameron's claim that this would be the greenest government ever.

BUT WON'T HIGHER FARES MEAN SERVICES ARE PROTECTED?

- No, the opposite. McNulty wants to increase train utilisation massively (more passengers per train). By ruling out cuts in fares the only way that McNulty can achieve this increase in train utilisation will be to pack even more passengers on overcrowded peak trains or cut less-used services.
- Train-operating companies will be given greater commercial freedom to operate less prescriptive, less regulated franchises. Regional railways in particular are lined up for significant cuts by being criticised for being more expensive to fund than long-distance and London / South East services. Rail experts have warned of a second Beeching on the railway, repeating the massive cuts made in the 1960s

WHAT ABOUT THE RAIL INFRASTRUCTURE AND SAFETY?

- McNulty calls for the further fragmentation and privatisation of the railway by arguing for the breakup of Network Rail and the sale or leasing of its assets to the private train-operating companies. These proposals will increase costs and reduce efficiency leading to poorer services and higher fares.
- Further fragmentation will also have an adverse impact on the ability of the railways to contribute to strategic objectives such as helping economic growth, moving freight to rail and reducing carbon emissions.
- The breakup of Network Rail will be accompanied by massive reductions in safety critical operational, maintenance and renewals staff, resulting in the loss of even more skilled rail jobs.
- Re-introducing the profit motive, coupled with fragmenting signal and track maintenance and signalling operations, will create a Railtrack Mark II and is inexplicable given the woeful safety record of Railtrack. In the wake of the fatal events at Southall, Labroke Grove, Potters Bar and Hatfield, that company was condemned by the public, the courts, the unions and the passengers for having accountants determine its safety standards. As a result track maintenance and signalling operations was rightly reintegrated and passed to a not-for-dividend company. To reverse this now is an insult to all who died in those tragedies.

BUT WHAT IS THE ALTERNATIVE TO MCNULTY?

- The McNulty report states his reforms would save between £700 million and £1 billion a year by 2019 but, as we have shown, this will come at a heavy cost to passengers and rail workers.
- McNulty has chosen to ignore the fact that railways in Europe are cheaper for the taxpayer and fare-payer because in the main they are in public ownership and less fragmented.
- Research for the rail unions by the Transport for Quality of Life think-tank has shown that over £11 billion has been lost from the rail industry as a result of fragmentation and payments to shareholders since privatisation. (see table below).
- The research has also found that by simply having one organisation operating passenger services and infrastructure would save £290 million per annum; bringing rail renewals in house a further £200 million and running TOCs on a not-for-profit basis another £300 million. In total at least £1.2 billion a year could be saved through reintegrating our railways and scrapping dividend payments to shareholders. The benefits of returning our railways to public ownership are clear.
- A publicly owned railway run in the public interests would also bring wider economic, social and environmental benefits. Research for RMT by the Just Economics think-tank has found Britain's privatised railway is failing to realise benefits worth £13 billion a year when compared to more integrated and publicly owned railways in France, Germany, Italy and Spain.

QUANTIFIABLE COSTS OF PRIVATISATION AND FRAGMENTATION

TOTAL COSTS	£1.2 billion	£11.3–11.7 billion
	Annual	Cumulative
Excess interest payment on Network Rail debt	£156m	£950m
Fragmentation costs		
Cost of interfaces between TOCs & Network Rail	£290m	not known
Network Rail: cost of outsourcing renewals / enhancements (& maintenance before 2003/04)	£200m	£2311m
TOC sub-contractors' operating margins	£76m	£771m
ROSCO sub-contractors' operating margins	£15m	£176m
Leakage		
Dividend payments: Railtrack	-	£709m
Dividend payments: TOCs	£227m	£507-1000m
Dividend payments: ROSCOs	£207m	£2520m
Sunk costs		
Underselling ROSCOs at time of privatisation	-	£1100m
Debt write-off, liability transfer to sell Railtrack	-	£2208m

transport for quality of life

WHERE CAN I FIND OUT MORE?

Please visit the trade union websites for more information

www.aslef.org.uk

www.rmt.org.uk

www.tssa.org.uk

www.unitetheunion.org