

## Paying for Privatisation: Assessing the cost of rail privatisation 20 years on

The British Coal and British Rail (Transfer proposals Act 1993) was passed on 19<sup>th</sup> January 1993 which paved the way for the November 1993 Railways Act which privatised Britain's railways.

John Major promised privatisation would make Britain's railways – “..the envy of the world..”. In fact privatisation has been a costly failure.

- Privatisation has cost passengers more. Since 1995 the average ticket price has increased by 22% in real terms.<sup>i</sup> Britain has Europe's highest commuter fares for both day returns and season tickets (see Table 1).
- Privatisation has made the railway more difficult to use. 35% of train users and 64% of non-users don't understand the rail ticketing system.<sup>ii</sup>
- Privatisation has put passengers in the slow lane. Britain lower coverage of electrification and high speed rail compared to similar countries in Europe (see table 2 and 3).
- Privatisation has cost the tax payer more. The cost of running the railway has more than doubled since privatisation from £2.4bn during the five year period 1990/91 – 1994/95 to around 5.4bn per year during 2005 - 2010<sup>iii</sup>. It is estimated that privatisation costs the equivalent of £1.2bn a year compared to public ownership.<sup>iv</sup>
- Privatisation has created a less reliable service. Comparing the last 19 years of British Rail with the last 19 years of private train operating companies, British Rail services were nearly 3% more punctual than privately run passenger rail services.<sup>v</sup>
- Other European countries have better railways and lower fares because on the whole their services are in the public sector. But publicly owned railways are threatened by EU austerity and privatisation. Unless member states object, EU directives will soon come into force that will force countries will have tender and break up their rail services.

**Table: 1. Average fare costs in the UK compared with other European countries**  
(source Just economics 2011) analysis of data from passenger focus 2009)

	(£/km) <sup>1</sup>					
	Day return (DR)	Restricted DR	Season ticket	Long distance	LD advance (1 <sup>st</sup> City)	LD advance (2nd city)
UK	0.26	0.17	0.14	0.49	0.15	0.19
Germany	0.17	0.17	0.08	0.28	0.13	0.10
Switzerland	0.15	0.14	0.04	0.39	0.18	0.14
Netherlands	0.13	0.12	0.08	0.34	0.20	0.18
Sweden	0.13	0.13	0.06	0.21	0.10	0.08

Italy	0.12	0.11	0.04	0.22	0.10	0.07
Spain	0.09	0.09	0.07	0.24	0.16	0.09
France	0.08	0.08	0.08	0.15	0.06	0.05

**Table 2: Electrified Railway Lines in Europe** (source: Eurostat. Road, rail and navigable inland waterways network).

Country	Total length of electrified line in kms	% of total railway line	Total length of railway line in kms
Belgium	2,955	84.1%	3,513
Netherlands	2,154	74.6%	2,889
Sweden	7,866	71.4%	11,022
Italy	11,714	71.1%	16,469
Bulgaria	2,827	68.2%	4,144
Austria	3,847	61.5%	6,256
Poland	11,924	59%	20,196
Germany (including ex-DDR from 1991)	19,857	52%	38,206
Finland	3,067	51.8%	5,929
Portugal	1,436	50.6%	2,838
France	15,312	49%	31,233
Slovakia	1,577	43.5%	3,623
Slovenia	503	40.9%	1,228
Romania	3,974	36.8%	10,785
Croatia	985	36.2%	2,722
United Kingdom	5,250	33.2%	15,814

**Table 3: High Speed Rail in Europe, Kilometres.** (source: Eurostat. Road, rail and navigable inland waterways network).

Country	In Operation	Under Construction
Belgium	209	0
France	1, 872	234
Germany	1, 285	378
Italy	923	0
The Netherlands	120	0
Spain	1, 604	2,219
Switzerland	35	72
United Kingdom	113	0

<sup>i</sup> ORR National Rail Trends 1995 – 2010 and associated RMT calculation.

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<sup>ii</sup> DFT statistics 2012

<sup>iii</sup> McNulty Report 2011

<sup>iv</sup> Rebuilding Rail – Transport for Quality of Life, 2012

<sup>v</sup> GB Transport statistics 1974-1987 and 1992-1998; British Rail Board annual report 1988-89; Booz Allan Hamilton: Report for the Rail Regulator, *Railtrack's Performance in Control Period 1995-2001*; National Year Trends 2001-02 to 2011-12.

Calculating the punctuality figures quoted in these sources gave the following averages: between 1974 and 1992, 89.7% of British Rail services were recorded as punctual, compared to 87% for privatised TOCs from 1993 to 2012.