



HOUSE OF COMMONS

Department for Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR
United Kingdom

Thursday 30th June 2022

Dear Grant,

As you'll know we are four former rail Ministers and the author of the Government-commissioned Penrose report on competition policy, and we are writing with grave concerns about the proposals in the Government's current rail consultation. Please treat this letter as not only a plea for a change of direction from fellow Conservative MPs, but also as a formal submission in response to that consultation as well. We have three main concerns.

Politicising Negotiations On Pay & Modernisation

You have – rightly – resisted being drawn into the centre of current negotiations with striking rail workers and the RMT over pay, conditions and modernising antique working practices. In any industry, those kinds of discussions have a far higher chance of success if they are conducted directly between employers and staff, on commercial terms where the focus is on delighting customers, rather than in an environment where political leverage is a key factor and national political agendas can get in the way of success. But the current proposals will involve a huge increase in politically-commissioned services on contracts from central, devolved or local Government, which will strengthen and entrench union power to paralyse entire regions because passengers will have no alternatives when the local monopoly service goes on strike, and make it impossible for you or your successors to stay out of the room in future negotiations. The crescendo of calls from rail unions and Labour MPs for you to get directly involved in the current negotiations was a clear attempt to pit Conservative Ministers and rail staff against each other in an old-fashioned 1970s-style class-based labour dispute, with management and passengers watching helplessly from the sidelines. You were right to refuse it, and we shouldn't introduce plans which will make it more likely in future.

Reducing Passenger Choice & Competition

The consultation proposes to weaken the rail regulator's current duty to promote competition in the provision of railways services for the benefit of users of railway services, by making it harder for them to approve any competing service which might reduce revenue from the politically-commissioned, taxpayer-funded local monopoly services which will make up the vast majority of the timetable in future. This means that successful and much-valued challenger brands like Lumo, Grand Central and Hull Trains will be the last of their kind, because the regulator will be far less likely to approve them. And it will destroy significant parts of businesses like Trainline on the altar of a state-run competitor instead. There are several possible alternatives which we think would be better than this:

- The first would be to maintain the existing duty to promote competition, and to introduce simple, transparent route auctions, so rival firms can easily start new services if they think they can attract enough passengers. This would mean most passenger and freight services would be run by lots of different rail firms competing every day to win passengers with a wide variety of prices, quality and styles of service, because they would know customers could switch to a rival's service at any time if it was better. The politically-commissioned, taxpayer-funded services would only be needed to fill in gaps in competitive services, for example if local



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Mayors or Councils wanted to create better alternatives to commuter car traffic, or connect otherwise-isolated communities, and the auction proceeds would replace any lost public revenue instead.

- The second would be to give competing services a ‘right of pre-emption’, to take over and modernise any individual politically-commissioned service if they think they have a better and more valuable way to use the timetable slot which passengers will prefer.
- The third would be to commission a minimum of five providers on each local service, rather than a single monopolist that would know it had a captive market which it could take for granted. People could choose between lots of different firms on the same routes, and each provider would have an incentive to attract as many passengers as possible.

A Return To State Central Planning

The oddest facet of the proposals is a return to Government central planning, with a huge and powerful new Quango (Great British Railways or GBR) deciding everything from timetables and ticketing, right down to the colour of the trains. And because most of the timetable will be made up of those politically-commissioned taxpayer-funded services on contracts from central, devolved or local Government which we mentioned above, decisions will be made by local political barons or central quangocrats who will be subject by electoral pressures, political leverage and public funding constraints rather than rather than by people whose sole objective is delighting their passengers. These new monopolies will offer little or no choice between different prices, quality or styles of service which passengers expect in every other walk of life. They will be brittle, because if a timetable melts down, or a train breaks down, or there’s a strike, there won’t be an alternative train firm’s service which passengers can board in a few minutes instead. And they will be ponderously-bureaucratic, slow, risk-averse and resistant to change at a time when passenger travel habits have become profoundly different after the pandemic, and will probably continue changing unpredictably in future too.

The better alternative would be to turn GBR into much slimmer system operator which is genuinely independent and at arms’ length from both Network Rail and service providers, and which provides a ‘controlling mind’ to ensure the day-to-day network runs safely, minimises delays and uses capacity as efficiently as possible on behalf of passengers.

We hope this is helpful, and we would be happy to meet with you to discuss these concerns at any stage. We look forward to hearing from you shortly.

Yours sincerely,

Sir Robert Goodwill MP
Stephen Hammond MP
Andrew Jones MP
Paul Maynard MP
John Penrose MP