

WRITTEN EVIDENCE FROM THE NATIONAL UNION OF RAIL, MARITIME & TRANSPORT WORKERS

Introduction

The National Union of Rail, Maritime and Transport Workers (RMT) welcomes the opportunity to respond to the Infrastructure and Capital Investment Committee.

The RMT is the largest of the rail unions and organises 80,000 members across all sectors of the transport industry. We negotiate on behalf of our members with some 150 employers. In Scotland, RMT represents over 10,000 transport workers and is the only union in Scotland which represents all grades in the rail industry.

RMT notes that this Committee is being held at a time when, following the closure of the Rail 2014 consultation, the priority must be defending Scotland's rail network from the proposed cuts, and the fragmentation of infrastructure proposed by the McNulty Rail Value for Money report.

In this submission, RMT will outline the dangers posed by the Rail 2014 consultation and McNulty, and also make the case for a more efficient model through which to deliver infrastructure and capital investment.

1. the current efficiency and accessibility of the rail network in Scotland;

RMT notes that Scotrail paid dividends of £18 million in 2010, £18 million in 2009, £17million in 2008 and £21million in 2007. In two of these years Scotrail actually paid more in dividends than it made in profit leading to the obvious conclusion that because it does not contribute anything towards investment in the railway or rail infrastructure, and with the level of government subsidy even covering its track access charges, it is simply milking Scotland's railway. The proposals from the Scottish Government in Rail 2014 allow for the intensification of this theft. If dividends were not paid in 2010, RMT estimates rail fares could have been reduced by almost 7% which would undoubtedly improve accessibility. This makes clear the case for public ownership of Scotland's railways.

Additionally, a clause exists in the Scottish Government's current Scotrail franchise that allows Scotrail to make claims on tax payer's money to indemnify them in event of net losses incurred due to industrial action. This is unprecedented and there are no other Scottish government contracts where tax payer's money can be used to bail out wholly private companies who are in an industrial dispute. RMT has consistently called for the indemnification clause to be removed as soon as the franchise ends and is disappointed that the Rail2014 document does not address the issue.

When the Scottish Government extended the franchise without retendering and without any discussions with stakeholders, it chose to keep that clause in the franchise, even though it was in its power to remove it.

The indemnification clause has incentivized First ScotRail to not to settle multiple disputes with the unions and in particular with RMT.

The rail unions and the STUC believe there are compelling reasons why the Government should reverse this policy and believe that the first step should have been for the matter to have been dealt with in Rail2014.

One example of where the indemnification clause has come into affect was given in 2003 by David Jamieson in a parliamentary answer to a question tabled by Jeremy Corbyn MP:

"In the past year, the Strategic Rail Authority (SRA) has made payments of £12.65 million to National Express in respect of revenue loss by Scotrail arising from industrial action".

It is of course one thing for the Government to take a view on industrial issues in the private sector, but quite another for the Government to take a direct role in private sector industrial relations. The use of these powers is an unprecedented and dangerous departure from existing policy towards private sector industrial relations and could have widespread implications beyond the confines of the railway industry.

We are not aware of any other industry in which the Government has used taxpayer's money to provide direct or indirect financial support to private companies during industrial disputes or to veto private sector pay and conditions agreements.

There is no evidence to suggest that these powers prevent disputes or improve industrial relations. On the contrary the use or the threat of the use of these powers will prolong industrial disputes, as there will be no incentive for private train operators to reach an agreement.

Train Operating Companies will not have any incentive to reach agreements on pay and conditions if it is aware that the Government may veto any such agreement. Indeed, where these powers were used previously by the now defunct SRA industrial relations have deteriorated because the Train Operating Companies involved in the negotiations have no authority to reach an agreement.

In terms of political and public relations consequences, the media, business community and passengers would quite rightly enquire as to what Government involvement there was in particular negotiations or disputes. Clarification would be sought as to whether the Government had vetoed pay or conditions agreements or if taxpayer's money was being used to support private train operating companies in dispute. As a consequence there would also be demands to know what efforts were being made by the Government to resolve a dispute, including the inevitable calls for the Ministers to meet the trade unions directly.

2. what developments could be made to improve the network and rolling stock for passengers;

RMT strongly opposes the proposals as outlined in the Scottish Government's Rail 2014 consultation to:

- Close some stations (it argues the number of stations will remain the same because others will open). In reality this means a cut for those that use the station operational at present.
- Cutting the length of services. The consultation argues the same routes will be served but also greater use of interchanges. This means fewer trains and lower levels of frequency, ultimately discouraging train travel and promoting travel by car which is damaging for the environment. This is true in the case of the Caledonian Sleeper Services with the announced intention to shorten or cancel some routes.
- Demanding that all cross border services start or finish at Glasgow or Edinburgh. This ensures that services operated by, for example, East Coast or Cross Country must terminate at Glasgow or Edinburgh and the passengers travelling further into Scotland must change onto a Scotrail service. Rail2014 claims that the current state of affairs disadvantages Scotrail due to the ORCATS system but in reality this is strengthening the position of Scotrail as a monopoly and will result in a worse service for passengers. The proposal is to ensure that rail passenger services operated by other companies do not continue to travel to other Scottish stations past Glasgow and Edinburgh, thereby negating the "competition" which is the sole argument used in defence of a privatised railway.
- Removing first class on some routes and potentially ban alcohol across the network. This is a cut in on-train services which will inevitably lead to a cut in on-train staff. There has been no consultation as to how this would be enforced.

RMT notes that the proposals in Rail 2014 for Scotland's railway raises serious concerns over the potential development of a two-tier railway with one tier being run commercially, generating profit and more much likely to receive investment in terms of rolling stock, infrastructure and service provision at the expense of the second tier. This two-tier system will inevitably lead to differing levels of service quality, something both the RMT and the travelling public are strongly opposed to. It will have an adverse affect on Scotland's rural communities and alongside the proposals for different regulation of fares on the two-tier will further disadvantage those passengers on lower incomes.

RMT believes that all rolling stock should be publically owned and publically accountable. In terms of action which can be taken immediately, the rolling stock leasing companies should be regulated. At present, despite complaints from the Competition Commission the ROSCOs remain completely

unregulated and solely prioritise making profit and satisfying shareholders, as the expense of both the travelling public and the taxpayer.

RMT argues that capacity should be calculated on the basis of the number of seats available and supports the view of the travelling public that if a passenger buys a ticket then they should be able to expect to sit on the train. The issue of overcrowding must be dealt with by increasing capacity through rolling stock procurement (which leads to the wider issue of the ROSCOs), not through lowering passengers expectations of the service.

RMT is strongly opposed to the suggestions for further fragmentation and privatisation through third party management of some stations and in some cases transferring ownership of stations, the closure of some stations and the proposal that some stations do not need toilets or washrooms if the trains stopping at that station have those facilities. Rail2014 also proposes to create 6 different categories of stations (not dependent on footfall like Network Rail classifies stations) and this will be an indicator as to who should manage or own the station.

RMT believes that the rail network should be expanded and as such does not support the closure of any stations. We agree with the Scottish Government that all routes are socially necessary, and stations are key components of the routes. Footfall at a particular station cannot be the only measure used to determine the value of any station.

RMT believes that only one organisation should be responsible for the management and maintenance of stations, and that that organisation should be publicly owned and publically accountable in order to ensure that the stations, as a component of critical national infrastructure, are managed and maintained as public assets. Therefore, the franchisee nor any third party should not be responsible for the management and maintenance of stations.

Additionally, RMT believes that cutting the length of services and the number of direct services means fewer trains and lower levels of frequency. This is also true in the case of the Caledonian Sleeper Services with the announced intention to shorten or cancel some routes.

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 £290m per annum; bringing rail renewals in house a further £200m and running TOCs on a not for profit basis another £300m. 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 the 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 & 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

3. the potential costs associated with such an upgrade and the current providers ability to cope with and provide for, the growing demands on the rail service; and

Any assessment of value for money in the rail industry has to determine whether current levels of employment provide value not only to the industry but also to the economy (and therefore the UK's finances) as a whole. Recent research suggests maintaining and increasing employment levels in the rail industry will have overwhelmingly beneficial consequences.

For example the July 2010 report undertaken by Ekogen¹ found that:

- The UK rail industry employs around 190,000 people and contributes £9bn annually to the national economy;
- The creation of 100 direct rail jobs supports 140 indirect and induced jobs;
- This compared very favourably to the Motor industry where it was found 100 motor industry jobs creates only 48 indirect and induced jobs;
- A reduction in car travel and a transfer to public transport would result in a net increase in employment as on average rail and bus travel generates more jobs per passenger km than car travel.

We also estimate that the social, economic and environmental benefits of achieving a modal shift from road to rail – in terms of reduced congestion, accidents and emissions – could potentially reach £154.8 billion by 2050².

4. the importance of and further potential for, the integration of Scotland's network with the rest of the UK.

¹ Employment in Sustainable Transport, report by Ekogen for Campaign for Better Transport/ PTEG/ Sustrans, July 2010

² Just Economics *A Fare Return: Ensuring the UK's railways deliver true value for money*. 2011

According to the Rail 2014 consultation document, the Scottish Government wants to stop all cross-border services from running beyond Glasgow and Edinburgh thereby granting Scotrail a monopoly on Scotland's railway. By demanding that all cross border services start or finish at Glasgow or Edinburgh ensures that services operated by, for example, East Coast or Cross Country must terminate at Glasgow or Edinburgh and the passengers travelling further into Scotland must change onto a Scotrail service.

The Scottish Government claims that the current state of affairs disadvantages Scotrail due to the ORCATS system but in reality this is strengthening the position of Scotrail as a monopoly and will result in a worse service for passengers. The proposal is to ensure that rail passenger services operated by other companies do not continue to travel to other Scottish stations past Glasgow and Edinburgh, thereby negating the "competition" which is the sole argument used in defence of a privatised railway.

Due to the economic and social necessity of cross-border services for passengers whose journeys begin in England or in Scotland it is essential that the services be jointly specified by the relevant transport authorities either side of the border.

RMT is aware of the proposals to develop Edinburgh into a hub station. Whilst RMT is not opposed to the development of an Edinburgh Hub to provide better connectivity across the network, the Union believes that such a development must be part of an overall regeneration of Scotland's rail network and should not be disingenuously counterpoised to the provision of cross border services.

RMT is strongly opposed to any fragmentation of Network Rail, and believes that any development of interfaces between separate infrastructure managers will potentially lead to major safety issues. RMT maintains that a high level of genuine integration can only be achieved under public ownership and management of rail infrastructure and operations.

RMT's view is that the high-speed network should extend into Scotland, connecting both at Glasgow and Edinburgh, at the earliest possible time.

The economic benefits of a high-speed network are well documented. WS Atkins published research in 2006 which found that high-speed links from London, via Heathrow, to Birmingham and Leeds would cost £31 billion to build and would deliver benefits of £63bn over a sixty year period.

In August 2007, The Northern Way explained that the economic benefits of a high-speed link are substantial, they noted: "Research for the SRA in 2002/03 for example identified total benefits of a new high speed network linking London to the North West and North East and Scotland of £89.9bn giving a benefit ratio of over 2:1. The benefits comprised £20.6 billion in additional revenue, £64.4 billion in non-financial benefits (welfare gains by users and non-users) and £4.8 billion in benefits from freeing up capacity on the existing network".

In terms of creating jobs, the DfT's HS2 London to West Midlands Appraisal of Sustainability documents forecasts that HS2 could attract 30,000 jobs in London and the West Midlands. Furthermore 1,500 operational posts will be created and 9,000 jobs constructing the line.

Research published by KPMG in February 2012 suggests that a national high speed rail network could, as businesses become more productive and offer higher wages due to productivity improvements deliver up to 42,000 additional jobs. It is the view of RMT that Scotland would benefit massively from such a scheme.