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Funding for HS2 drives rail cuts

By Mark Odell, Transport Correspondent

Plans to cut the cost of running the railways, due to be unveiled by the government on Thursday, are driven more by concern over the funds needed to build the proposed high-speed rail line between London and the north rather than an attempt to bring fares under control, according to the main industry regulator.

Anna Walker, chair of the Office of Rail Regulation, told the Financial Times the reforms stemmed from pressure on policymakers “to be seen to be bearing down on costs to justify to the nation the cost of HS2”, referring the £32.7bn High-Speed 2 project, the first stage of which was approved in January.

The remarks will undermine attempts by Justine Greening, transport secretary, to present her ministry’s overhaul of rail policy as a consumer-friendly move aimed at placating passengers angry at above-inflation fare rises.

The government, which is looking to cut the £4bn a year the sector receives in direct taxpayers’ subsidy, will set out a variety of proposals. These include a review of fares; support for efforts by Network Rail, the state-funded infrastructure owner, to work more closely with train operators; and plans to give local authorities more control over some regional rail lines.

It may also signal plans to allow a private company to run part of the system in order to benchmark the performance of Network Rail.

The proposals are in response to last year’s review by Sir Roy McNulty, who was commissioned by the then Labour transport secretary Lord Adonis in 2009 to seek ways of increasing efficiency on Britain’s railways. He found the sector has a cost base up to 30 per cent higher than its European peers.

Sir Roy told the BBC’s Today programme on Thursday that he expected the government to address the problem of the “cliff edge” between peak and non-peak fares.

“What we found is a fare structure that has grown like topsy for decades. The rationale for what we have today no one understands and I think it’s high time that a fresh look was taken,” he said.

This could mean some fares rising as well as some going down, he added.

“I’m sure the government is well aware that fares overall are too high and overall need to be reduced, and I’m sure they’ll approach it with that in mind,” he said.

Another senior rail official confirmed the cost of HS2 – which has faced fierce opposition from communities along the proposed route – was one of the drivers behind the McNulty review but not the only reason.

A DfT spokesman said: “In order to end the era of inflation-busting fare increases we need to reduce the cost of running the railway through working smarter and delivering a better railway.”

Rail unions have warned the policy shift will lead to the loss of up to 12,000 jobs and the closure of ticket offices. The RMT has signalled it will ballot for industrial action if it feels its members are threatened by the proposals.

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