



Network Real

The rail regulator has found Britain's railways much less efficient than Europe's. We need greater accountability

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Network Rail is not accountable to shareholders and it is not accountable to ministers. This simple fact lies behind the latest finding of the Office of Rail Regulation that, more than a decade after it was founded, the company remains substantially less efficient than its foreign counterparts.

At the end of last week *The Times* reported that Network Rail has missed numerous punctuality targets in the past year. More than 60 per cent of delays — a cumulative 12.2 million minutes — were found to be its responsibility. The performance has been so bad that the regulator is threatening heavy fines unless there is a rapid and marked improvement.

Now it has been comparing Network Rail, which is a monopoly, with other European countries. The regulator's analysis of networks elsewhere is the only way of establishing if the public is getting value for money. The conclusion makes grim reading.

Couched though it is in technical language about "stochastic frontier modelling" and "top-down benchmarking", it says that on most measures there is a gap in efficiency of more than 20 per cent between Network Rail and international counterparts.

Or to put it more simply still, Network Rail is providing dramatically less value for money than can be found elsewhere in Europe. Yet, despite this, the company has announced that its chief executive and four directors are to be given bonuses equivalent to 17 per cent of their salaries. The chief executive, Sir David Higgins, will receive almost £100,000. These bonuses are being paid directly by the taxpayer, since Network Rail receives more than £3 billion a year in public subsidies.

However, it would be wrong to see rail policy as a complete failure and the Office of Rail Regulation is anxious to emphasise that there is positive news. It notes: "Since privatisation, passenger numbers have doubled and freight traffic has risen by 60 per cent." This has been accompanied by investment and cost reductions.

But the fact remains that the regulator believes Network Rail could achieve the objectives of its strategic plan with £2 billion less than the company proposes. They think the savings should come mainly from "better management of the railways and more efficient ways of working".

This raises the question of how the company is organised. When Network Rail was set up, its structure was deliberately complicated. Gordon Brown and his advisers used one of his favourite techniques — a policy approach so dense that it was hard for opponents to understand, let alone criticise.

The creation of the company would get tens of billions of pounds of debt off the Government's books but it was to have no shareholders and only an arms-length relationship with ministers. Since it also had no competitors, Network Rail was, and remains, an organisation without any of the usual ways of exerting proper pressure on management. The Office of Rail Regulation is the single exception.

It is essential now to revisit this decision. One alternative is to restructure rail finance so that Network Rail's money comes from charges rather than subsidy. They could also make it a proper private company with proper shareholders.

But if Network Rail is going to remain effectively a government body then it should be subject to political accountability. If ministers balk at changes that might bring the debt back on the public books, they might at least think of making good on what they had to say before the election about freedom of information.

Before 2010 both of the coalition partners said that they favoured opening Network Rail to freedom of information requests. In office they have done nothing about it. They should get on with it.

23 comments

Michael Daventry

8 people listening

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Michael Brown

1 hour ago

Invite the directors of Network Rail to surrender their current bonuses - obviously they have done nothing to earn them. Implement a new executive bonus system based on reward for targets achieved, e.g. punctuality, etc..

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Will Harris

4 hours ago

None of these suggestions are sensible. Network Rail is, by its very nature, a monopoly enterprise. It needs to be run by the ultimate administrators. A crack team, ideally recruited from Germany where the railways run efficiently to a lower cost base. This team should be responsible for a total restructuring of working practices and control over short term and long term rail infrastructure investment, to achieve maximum value for money - though this may be best realised over a longer term. It is crazy to try and bring in "competition" or a private enterprise profit motive. These things work really badly on enterprises that cannot realistically take competition and where the biggest barrier to change is most likely the unionisation of the workforce and outdated methods of allocating human capital to maintenance. Inefficient, old fashioned and un-interested in change. They will need government support to fix this.

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FRANK LYNCH

4 hours ago

The legal status of Network Rail means that it could in theory be taken into public ownership without cost and get rid of the current management. We could even hand over the day to day operations to continental companies which seem to produce a better performance than our hapless bunch. Of course that would mean the revolving doors from Westminster and the civil service to consultancy in this quasi-private entity would no longer be there; so don't expect change any time soon.

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Nigel Brodrick-Barker

6 hours ago

"Since privatisation, passenger numbers have doubled."

'Despite privatisation' would make more sense. Rail travel is an 'inelastic' good.

3 [Recommend](#) [Reply](#)



Alan Thorpe

6 hours ago

The taxpayer subsidies should end as soon as possible. The railways should be paid for by the people travelling on them. If fares increase as a result the passenger complaints should eventually produce results. The taxpayers will never complain about the railways.

1 [Recommend](#) [Reply](#)

Gentleman living in Surrey

5 hours ago

@Alan Thorpe

A rather shallow view unless you have financial interests in the motor industry..

All public transport needs (and receives) subsidies in order to be efficient, and in order to encourage people to use them.

An efficient and affordable public transport service is part of the infrastructure of a modern economy, both to attract investment, but also to improve the quality of life of the users.

I regularly use a bus service between Nice and Grasse (some 30km) that costs €1; the bus is often almost full which equates to some 50 plus fewer cars on the road per bus; I would say that that equates to subsidised money well spent.

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Alan Thorpe

3 hours ago

@Gentleman living in Surrey I don't own a single share in any company, and I have never owned a car and at almost 70 I don't expect to. My view is simply that the users of services should pay. It has nothing to

do with efficiency which is a separate issue. We want everything to be affordable but in the UK this often translates as the taxpayer picks up the bill.

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Will Harris

4 hours ago

@Alan Thorpe Thanks Alan. The railways provide, primarily, a method of getting workers from their homes to their place of work, where they contribute to the economy, pay their taxes and create the value in the £ that allows all of us to buy imported goods. We all benefit from the productivity gain of allowing people to live outside metropolitan areas, but work within them.

The cost of rail transport is insanely high. An annual season ticket from Marden (in Kent) to London, including tube travel, costs £4,600. This is for a rail journey of under an hour. A not unreasonable commuting distance. This kind of pricing is effectively a tax on going to work. In Germany, this would exceed the price of an annual, go anywhere in Germany season ticket. Things get far worse if you live a little further from London.

The reason it is so expensive, is partly because too much of the cost is born by the individual traveller, where it is akin to a Poll Tax, and because the railways are so inefficiently run, leading to them needing so much money in the first place.

We should start by fixing the relationship with the wider economy, and that means some subsidy, then fixing the inefficiency and this means total re-structuring of the maintenance and administrative cost-base.

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Alan Thorpe

2 hours ago

@Will Harris Can you explain why I should subsidise people travelling to London, often 1st class, and earning six figure salaries? Perhaps you would like the taxpayer to subsidise food so that the food banks can be closed. If work was closer to where people lived we would not have the huge problem. It is not a tax on going to work; it is the cost of travelling larger distances to get a higher salary.

2 [Recommend](#) [Reply](#)



Will Harris

1 hour ago

@Alan Thorpe @Will Harris Delighted to, though I fear I'm stating the obvious and trying to explain something rather fundamental. But i'll give it a go!

The countryside largely depends on money flowing from areas of the economy that have created a density of wealth creation. So the ring of towns and the surrounding countryside up to one and a half hours train ride into London, receive a great deal of their wealth from people going into London to work. To a lesser extent, but following the same principle, the outlying towns around other major British cities also receive a considerable boost to their local economies from people working in cities and commuting in and out.

It is not practical or sensible to assume that it makes economic sense to locate places of employment close to where people live. The clustering of business in city centres is not an accident or a mistake. Businesses prefer to locate where the pool of human resources are found. Though workers may originate in the countryside, they congregate in cities to seek employment.

So, if (and I know you may struggle with this) we accept that enterprise often chooses to locate in giant clusters such as cities, then getting people in and out benefits both the individual but also the area to which the individual then repatriates their earnings. This is the key. It is for this reason that we need to fit our infrastructure around the realities of where the growth engines for the economy are located. We should help people get to work. Once there they add value to our economy that benefits everyone. I'm a fan of our cities and a fan of our countryside. I would dearly love to see local enterprise flourish but I'm also realistic and recognise that transforming our economy back to manufacturing will require decades, vast investment in the high-value manufacturing we'd need to specialise in and won't change the fact that for our economy to flourish as the Germans have, we need to support the flow and availability of our main factors of production. Namely, people.

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Mr J Mohan

3 hours ago

@Alan Thorpe Yes -- Provided I can claim tax relief on my train ticket.

[Recommend](#) [Reply](#)



Alan Thorpe

1 hour ago

@Mr J Mohan Another one from the gimme, gimme, gimme brigade.

[Recommend](#) [Reply](#)



Gresham's law

7 hours ago

We also want trains that cost the same as Europe. Ours must be the most expensive.

It is obscene that poor folk pay the highest rail fares so Train directors get the highest pay in Europe.

4 Recommend Reply



it'sme

3 hours ago

@Gresham's law You have summed it up in one-

Highest paid Execs and NO accountability-

Highest fares and NO redress!

Recommend Reply



John Herring

8 hours ago

Most of our administrators seem to give the impression that they can only fail. They do that very well.

Recommend Reply



Stephen Williams

9 hours ago

For those afficianados of privatisation.....years later....

..... it is still a 'dogs breakfast' in terms of accountability, structure and performance and like all the utilities the person at the end of the food chain is the poor old consumer!

2 Recommend Reply



Chris Miller

17 hours ago

The real problem with the rail network is that franchises are too short. This makes it impractical for train operators to own their own rolling stock, so they have to lease from ROSCOs (Rolling Stock Operating Companies). The leasing market is dominated by three suppliers owned by banks and other financial services players. When an attempt is made to improve service by putting more government money into the system or raising fares, the ROSCOs simply up their charges and suck the extra money into the pockets of their shareholders.

2 Recommend Reply



Alan Hawkes

18 hours ago

It is not only the accountability structure inherited from Gordon Brown that is Byzantine: so is the fares structure. Perhaps the government should consider copying their decision on energy costs and lay down a maximum number of options. At the heart of the matter is whether the railways are run for the users and the economy, or for its employees, including managers with large bonuses.

1 Recommend Reply



Claire Parker

18 hours ago

They are not only less efficient, they are more expensive by an order of magnitude!

3 Recommend Reply



Patrick Hogan

18 hours ago

@Claire Parker

Is Claire Parker seriously suggesting that rail travel costs ten times more in the UK than in other European countries?

Recommend Reply



Nigel Brodrick-Barker

6 hours ago

@Patrick Hogan

I think Claire meant 'by a long chalk' or 'by a country mile', Patrick.

1 Recommend Reply



Mr J Mohan

19 hours ago

One thing even more opaque than the Network Rail structure is the access charge it levies on the Train Operating Companies. This is where it is expected to get its' money from but I've never seen how it is calculated.



A HOARE
@Mr J Mohan

5 hours ago

Network Rail and the government still think that Britain is the best. We mustn't learn or copy those foreigners, it would diminish our greatness.

Do they have to emulate the Coal Industry, the Car Industry and deteriorate to the point where the remnants of a bankrupt industry and skilled workers are bought for a song by other countries?

There are many similar instances of our refusal to learn. Is bankruptcy for Britain the only path?

We are a small nation in a small island, no longer a great world power.

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