

Written evidence submitted by National Union of Rail, Maritime and Transport Workers (RMT) to the Railways Public Bill Committee (RB07)

Executive summary:

- RMT Union is Britain's largest specialist transport union and has more than 80,000 members from almost every sector of the transport industry. RMT is by some distance the largest rail union and represents all grades of rail workers. We would be glad to give oral evidence in support of the evidence below.
- RMT welcomes the Railways Bill as the necessary second legislative stage of bringing the railways into public ownership. The Passenger Rail Services (Public Ownership Act) empowered the Secretary of State to bring franchises into public ownership at the earliest opportunity and the Railways Bill creates the single arms-length publicly owned company that brings track and train together.
- RMT welcomes the moves to create an integrated organisation that brings track and train together but there is no clear indication in the Railways Bill, or in the accompanying factsheets what the structure of Great British Railways will be. This is the largest reform of the railways since 1993, affecting around 150,000 workers in the rail industry. It is therefore remarkable that the Bill has nothing at all to say about the employment of staff.
- The era of privatisation saw a relentless attempt to drive down staffing costs through attempts to cut and downgrade on-board staff roles, de-staff stations, close ticket offices and promote outsourcing and sub-contracting. Labour's *Getting Britain Moving* document promised a break with this legacy, describing staff as an 'asset rather than a cost' and pledging to make Great British Railways an employer people would be proud to work for.
- Staff will be central to GBR delivering on its duties and functions. Passengers are quite clear on the importance of staff. In every major issue that has faced the railway in recent years, the public have demonstrated the importance that they place on staffing.
- Great British Railways should be based on the simplest and most integrated structure possible with a single employer for all rail workers. This would enable clear productivity gains as well as benefits for passengers. Given the Bill's silence on staffing, we are seeking clarifications and, if necessary, government amendments to the Bill around staffing as follows:

1. Great British Railways should be a single integrated employer for all rail workers, and GBR should have a duty to secure for rail workers and passengers the benefits of a properly integrated employment structure.
2. GBR should provide an industry wide travel facilities scheme.
3. The Bill should create Ministerial powers under the safety duty to protect safe staffing levels and GBR's safety duty should task it with promoting safety for passengers and staff, including establishing mandated safe staffing levels on trains and in stations.
4. The Railways Bill should be amended to state explicitly that TUPE will apply to all Open Access staff to enable them to transfer into GBR as and when their contracts expire.
5. The process whereby ticket office opening hours are regulated and subject to a public consultation, overseen by the Passenger Council, must be retained under GBR.
6. Ticket offices should be enabled to sell all GBR fares and products.

- RMT welcomes the new limitations on Open Access. We view the long-term retention as injecting unnecessary complexity and fragmentation into the operation of the railway. It also retains profiteering on passenger services in a more refined form, where the private train operators are allowed to cherry pick profitable services. Our view is that no further Open Access contracts or extensions should be granted and that existing services and jobs should be absorbed into GBR at the earliest opportunity.
- We welcome the positions reached with the Scottish and Welsh national governments over the relationship between GBR and devolved nations and the retention of different options for further integration through agreement. We also welcome the statutory role of devolved Mayors as recognising an important reality about Britain's transport networks. However, we are also pleased to see the Bill stress the importance of GBR retaining a strategic overview and the capacity to act in pursuit of whole-system interests.
- RMT is disappointed that Great British Railways will not control all its revenue as *Getting Britain Moving* had been explicit in its ambition to allow GBR to take long-term decisions about the railway based on a whole-industry view of costs and revenues. We consider that the net impact of this will be to create greater uncertainty in Great British Railways' funding and recreate the short-termism that bedevilled the privatised railway.
- More resources can be directed to the frontline of rail services and greater funding efficiency achieved if the government continues the work it has started to cut out profiteering on rail. RMT believes that the removal of the profiteering private train operating companies from the railway was an essential first step to delivering improved value for money for passengers. However, it is also important that the government gains control of other areas of profiteering on rail including value extraction by rolling stock companies, remaining TOCs and outsourcing and sub-contracting companies. RMT estimates that more than £800 million is taken out of

the industry every year through various forms of private sector value extraction. GBR should be empowered to levy additional charges on rolling stock companies to recoup some of the rising costs of leasing and to return some of the funds extracted by historic profiteering.

Summary of recommendations in Clause order

Clause 3 (1) Functions of GBR:

1. RMT is seeking clarification, either through a government statement at Commons Stage or an amendment, if necessary, that GBR will be a single integrated employer for all rail workers, whether directly employed by train operating companies and Network Rail, outsourced or sub-contracted. If an amendment were necessary, it could be achieved by giving GBR a function under clause 3 (1). This could give GBR the function of being a single employer for all GBR workers, as defined above. We would also like clarification that TUPE will apply to all staff transferring from any of the organisations being brought together to form GBR.
2. We are seeking clarification or amendments to the effect that GBR will have a duty to reduce assaults on staff and to protect safe staffing levels, including through measures to protect staff from assaults and abuse at work. This could be achieved, if necessary, by a new function under Clause 3 (1).
3. We are seeking clarification or amendment which requires that GBR products and fares will be sold at ticket offices, as well as via the GBR app or website. Function (1) (d) could be amended to reflect this, for instance: “selling tickets for travel on railway passenger services or securing that tickets are available for sale and ensuring that all GBR fares and products are available to purchase from all available channels, including ticket offices.”

Clause 13:

The government could expand Clause 13 ‘Charging and terms and conditions’ to make explicit that GBR has the power to levy additional charges on rolling stock companies to recoup some of the rising costs of leasing and to return some of the funds extracted by historic profiteering.

Clause 19:

In addition to the new function under Clause 3 (1), Clause 19 Safety duty of Ministers and ORR) subsection (2) could be expanded to clarify that the safety duties must include promoting safety for both passengers and staff including: (a) a duty to reduce assaults on staff and (b) establishing mandated safe staffing levels on trains and in stations.

Clause 35:

We are seeking clarification or an amendment to the effect that GBR will enter into an industry-wide travel facilities scheme for staff employed directly or contracted by GBR, based on the principles of the pre-privatisation travel facilities scheme, now referred to as 'safeguarded' travel facilities. GBR should consult with trade unions on the development of such a scheme. If necessary, this could be achieved through a new clause 35 in the 'Fares' section.

Clause 49:

We are seeking clarification or amendment to confirm that the process whereby ticket office opening hours are regulated and subject to a public consultation, overseen by the Passenger Council, will be retained under GBR. This could be done through an amendment to Clause 49 (2) to specify that any proposed reduction in ticket office opening hours or closure of ticket office hours is one of the matters that the Passenger Council (a) must be consulted on by GBR and (b) must be subject to a public consultation.

Part 3, Chapter 1:

We would like confirmation from government or an amendment if necessary, to make clear that full coverage of TUPE will be extended to staff employed by open access operators to transfer into GBR in the event of an open access operator exiting the market, regardless of whether these services are taken on by GBR. If necessary, this could be achieved though a new Clause under Part 3, Chapter 1 (Access to infrastructure and services).

Introduction

RMT Union is Britain's largest specialist transport union and has more than 80,000 members from almost every sector of the transport industry. RMT is by some distance the largest rail union and represents all grades of rail workers. We would be glad to give oral evidence in support of the evidence below.

RMT welcomes the Railways Bill as the necessary second legislative stage of bringing the railways into public ownership. The Passenger Rail Services (Public Ownership Act) empowered the Secretary of State to bring franchises into public ownership at the earliest opportunity and the Railways Bill creates the single arms-length publicly owned company that brings track and train together.

The Railways Bill has confirmed that the government will deliver on several key pledges from the pre-election policy document *Getting Britain Moving*. *Getting Britain Moving* said that Labour would establish 'a new, arm's length public body – 'Great British Railways' – which will be a directing mind in charge of Britain's railway infrastructure and services'.¹ The document said that "track and train will be brought together so that decisions can be made on a whole-industry basis, with a single view across railway costs and revenue, rather than being driven by what is best for individual organisations."²

The Railways Bill confirms that GBR will be a new, publicly owned company headquartered in Derby. GBR will run passenger train services (that the government currently procures from private companies such as Avanti and CrossCountry) and manage the infrastructure (tracks, stations, and depots) as Network Rail does today. This is 'bringing track and train together'. Alongside this, GBR will make decisions about which other operators can run services on its infrastructure, as well as selling tickets for its services.

The Bill gives the Secretary of State the power to create a 'body corporate' as 'Great British Railways' through secondary legislation. Following Royal Assent GBR will be established by renaming Network Rail Infrastructure Limited, the asset owning company of Network Rail. Those private train operators who are still in existence at the time it is set up, alongside DFT Operator, Network Rail Limited and parts of the Rail Delivery Group will then be consolidated into the new body.³

RMT's general position

The Railways Bill is welcome and deserves the support of all rail workers in decisively turning the page on 30 years of disastrous privatisation. Research published by the RMT on the anniversary of the Passenger Rail Services (Public ownership) Act showed that total dividends paid by private sector Train Operating Companies (TOCs) since 2016 alone amount to £1.8 billion (Table 1). Private sector TOCs paid out dividends worth on average

1 <https://labour.org.uk/wp-content/uploads/2024/04/GETTING-BRITAIN-MOVING-Labours-Plan-to-Fix-Britains-Railways.pdf>, p. 6

2 <https://labour.org.uk/wp-content/uploads/2024/04/GETTING-BRITAIN-MOVING-Labours-Plan-to-Fix-Britains-Railways.pdf>, p. 17

3 <https://publications.parliament.uk/pa/bills/cbill/59-01/0325/en/240325en.pdf>

£182 million each year since 2016. Great British Railways has the potential to be an improved public transport system for passengers, a force for connectivity in British society and a powerful lever in the economy.

RMT welcomes the moves to create an integrated organisation that brings track and train together, but there are serious questions that need to be answered and that are conspicuously absent from the Railways Bill. For example, there is no clear indication in the Railways Bill, or in the accompanying factsheets what the structure of Great British Railways will be. Labour's *Getting Britain Moving* document spoke of a single organisation with a 'single employer'. The Railways Bill and its accompanying factsheets are silent on this issue. There are hints in references to route-based business units, subsidiary companies and joint ventures but no clear statement of the intended structure. As a consequence, it is a remarkable fact that the Bill has nothing at all to say about the employment of staff.

Great British Railways and the importance of staff in delivering for passengers

The damaging legacy of privatisation is not felt solely through the extraction of profits but in the disastrous fragmentation it engendered. The inability of the fragmented, privatised railway to deliver an effective, reliable service for passengers was one of the key drivers for renationalisation. Privatisation created a complex mesh of contractual interfaces filled with misaligned incentives, preventing the creation of coherent timetables or reliable services and impeding the development of a simple, innovative ticketing system. It also led to a relentless attempt to drive down staffing costs through attempts to cut and downgrade on-board staff roles, de-staff stations, close ticket offices and promote outsourcing and sub-contracting. This resulted in fragmented staff structures, broken value chains and pools of de-skilled labour, driving down productivity on the railways.

Labour's *Getting Britain Moving* document, welcomed by the RMT at the time of its publication, promised a break with both these damaging legacies. It described staff as an 'asset rather than a cost' and pledged to make Great British Railways an employer people would be proud to work for.

RMT believes that Great British Railways is a once-in-a-generation opportunity to improve rail travel for passengers. But the structure of the railway must be one that supports the more effective deployment of an increasingly skilled and committed workforce that is viewed as an asset not just a cost.

The missing rail staff

It is a strange fact that staff are entirely absent from the Railways Bill. More than 60,000 people are employed directly by the Train Operating Companies. More than 40,000 are employed directly by Network Rail. Beyond this there is the wider rail workforce. More than 10,000 outsourced workers work as security guards, travel safe officers, gateline staff, cleaners and caterers. More than 40,000 more infrastructure workers are engaged from agencies by Network Rail or its sub-contractors, mostly on zero hours contracts. In total, therefore, there are likely to considerably more than 150,000 rail workers in the industry. These 150,000 rail workers who keep the rail network going every day are none the wiser

who will be their employer now than they were before the Bill was published. We also do not know how they will be moved from one employer to another as the Bill is silent on this issue. RMT assumes that these staff will be transferred under pre-existing legislation, but this has not been confirmed.

Passengers value and want more staff

Passengers themselves are quite clear on the importance of staff. In every major issue that has faced the railway in recent years, staff have been critical and the public have demonstrated the importance that they place on staffing:

- In 2020, During the Covid pandemic, Transport Focus research showed that passengers wanted more staff, not less, on their rail network once the pandemic was over.
- In 2022, When the previous Conservative administration used the need for pandemic subsidies to force cuts on the industry, polling from Opinium showed that the public were opposed. A clear majority of the public (63%) opposed cuts to staff on trains and stations, with even higher opposition (70%) to cutting safety-critical track maintenance workers.
- In 2023, when the privatised train operators and Conservative government attempted to drive through the closure of all ticket offices, the public consultation resulted in Transport Focus and London TravelWatch receiving more than 680,000 responses in almost unanimous opposition. A coalition of accessibility and disability rights groups mobilised against the proposals.
- The terrible attacks on the LNER service at Huntingdon and the growing public concern over anti-social behaviour on public transport only reinforce the case for more staff.

GBR should be a single employer with an integrated staffing structure, taking over outsourced contracts as they expire

Under British Rail, the rail workforce was directly employed in an integrated career path where it was at least theoretically possible for workers to enter at the very bottom grade and progress up to becoming managers. Under privatisation, this career path was destroyed and much of the rail workforce was insultingly, referred to as part of the rail 'supply chain'. Far too often it is completely ignored. The Office for Rail and Road, for example, treats them as though they don't exist. They are not counted in workforce statistics and their work is discounted in assessments of the railway.⁴ Outsourced workers are often occupationally segregated and hold down in de-skilled jobs that prevent any progression into other railway roles. As RMT showed, BME workers represent 25% of the directly employed train operating company workforce, but just under 60% of outsourced cleaners and caterers.⁵

⁴ The ORR's factsheet on rail workforce simply ignores everyone who is not directly employed by a TOC or Network Rail. It states, entirely wrongly, that there are "approximately 100,000 people employed in the rail sector, with 62,000 full-time equivalent employees across TOCs and 40,000 in Network Rail (ORR TOC Key Statistics table and Network Rail Annual Report and Accounts 2024)"

⁵ For this research, see <https://www.rmt.org.uk/news/public-document-library/rmt-report-outsourcing-and-racial-inequality-in-rail/>

RMT's view is that Great British Railways should be based on the simplest and most integrated structure possible. This would enable clear productivity gains as well as benefits for passengers. A single employer, as envisaged by *Getting Britain Moving*, would eradicate wasteful duplicated management structures and cut interface costs between company structures. It would make easier the horizontal movement of staff resources between routes and the vertical movement of staff through an integrated career structure. This would create greater flexibility and agility in the workforce as well as breaking down the barriers to progression for outsourced and sub-contracted workers.

A simple structure based on a single employer would have clear benefits for passengers. For example, insourcing staff and creating a new station staff entry grade would increase staffing capacity within GBR enabling the government to mandate minimum staffing level guarantees to improve accessibility and safety.

Insourcing would also help to address the skill gap in station staff and the wider rail workforce by providing GBR greater direct control of staffing and workforce recruitment, training and planning compared to the current arrangements, where contractors are paid on a short-term basis to provide occupationally segregated staff to deliver narrowly defined service outcomes.

By contrast, if GBR retains or recreates a structure that proliferates subsidiary companies, joint ventures, outsourcing and sub-contracting, this will take us back in the direction of privatisation and fragmentation, impede the creation of a more productive workforce that works for passengers. As Rail Minister Lord Hendy said recently,

“The railway is absolutely stuffed full of big and small contracts, all with different terms, all producing real confusion about how we serve customers and passengers better.”⁶

Labour's *Getting Britain Moving* document recognised and understood these issues. It said: “We will restore trust and ensure that all rail workers are treated with dignity and respect as the rail system is reformed. There is good evidence that fair and decent working conditions improve worker productivity and wellbeing, and constructive industrial relations improve the reliability of service provision...

.. We want to restore their pride in working for Great British Railways as a new, single employer...

We will also work to break down barriers to entry and progression within the rail industry, so that more women, ethnic minorities, and underrepresented groups see rail as a positive career choice for them. In this, we will seek to learn from best practice to date and work with trade unions”.⁷

6 <https://www.theguardian.com/business/2026/jan/02/uk-government-end-rail-outsourcing-racket-rmt-union>

7 <https://labour.org.uk/wp-content/uploads/2024/04/GETTING-BRITAIN-MOVING-Labours-Plan-to-Fix-Britains-Railways.pdf>, pp. 23-24.

RMT is seeking clarification, either through a government statement at Commons Stage or an amendment, if necessary, that GBR will be a single integrated employer for all rail workers, whether directly employed by train operating companies and Network Rail, outsourced or sub-contracted. If an amendment were necessary, it could be achieved by giving GBR a function under clause 3 (1). This could give GBR the function of being a single employer for all GBR workers, as defined above. We would also like clarification that TUPE will apply to all staff transferring from any of the organisations being brought together to form GBR, including through insourcing.

Travel facilities

Labour's *Getting Britain Moving* document recognised the importance of good employment conditions in supporting staff wellbeing, commitment and pride. Travel facilities are a key part of this. Until privatisation, rail staff had travel facilities to use rail free in Britain and across Europe. This was a prized perk that was seen as part of the identity of rail workers. On privatisation, while existing staff travel facilities were protected ('safeguarded'), new entrants had access only to a patchwork of different and inferior entitlements. Rail CEOs typically get full travel facilities. Outsourced workers, typically, have no travel facilities at all. The creation of GBR is a historic opportunity. Current schemes are administered by the Rail Delivery Group, which is coming into GBR. As well as being fairer, a single scheme would be easier and cheaper to administer than the myriad schemes currently in existence. An industry-wide travel facilities scheme would assist in recruitment and retention and go far to creating pride in working for Great British Railways. It would also encourage the use of sustainable transport modes.

We are seeking clarification or an amendment to the effect that GBR will enter into an industry-wide travel facilities scheme for staff employed directly or contracted by GBR, based on the principles of the pre-privatisation travel facilities scheme, now referred to as 'safeguarded' travel facilities. GBR should consult with trade unions on the development of such a scheme. If necessary, this could be achieved through a new clause 35 in the 'Fares' section.

Rail staff and safety

The importance of rail staff in supporting passenger safety, security and accessibility is well established, with this being a consistent message in research, including by the passenger watchdog Transport Focus. Yet previous Governments have failed to translate this into policies that protect and increase staffing. During the era of privatisation in particular, there have been sustained efforts to remove staff from stations and trains.

Currently, via Schedule 17 of the Ticketing and Settlement Agreement (TSA), ticket office staffing is the only form of regulated staffing levels. This means that currently, if train operators wish to reduce station staffing aside from ticket offices or remove staff from trains, they do not have to notify the passenger watchdog or consult passengers.

It was apparent from the widespread opposition to the planned closure of around 1000

ticket offices in 2023 that passengers, particularly certain groups including disabled and older people and women and girls, value the certainty that is provided by ticket office regulation. Therefore, in addition to ensuring that ticket office hours and staffing remain subject to regulation, RMT believes that GBR should legislate to regulate all rail staffing at stations and trains, and that this should be underpinned by a set of policies that protect staffing levels and roles. This would support passenger safety, security and accessibility by providing far greater certainty about when staff will be available to assist them at stations and on trains.

An integrated approach to staffing would also enable a whole system approach to reducing violence and assaults on the railway, which has been hindered by fragmentation and limited the effectiveness of measures to address violent and anti-social behaviour. For instance, one measure that can be used to deal with offenders is Withdrawal of Implied Permission (WIP) notices which remove an individual's implied right to be on station property for a period of time. However, WIPs can only be issued by individual train operators relating to their property meaning that there is currently no network wide WIP. This means that even if someone is subject to a WIP with one train company, there is nothing stopping them entering stations managed by an alternative operator. Data shared with RMT by the rail industry Violence at Work Group also shows that there isn't a consistent approach to WIPs across the railway, with some train companies currently making more use of them than others. GBR should lead to the creation of an integrated approach to violence and anti-social behaviour on the railway.

This should include mandating safe staffing levels on board trains and at stations so that these are protected to a similar extent as ticket offices.

We are seeking clarification or amendments to the effect that GBR will have a duty to reduce assaults on staff and to protect safe staffing levels, including through measures to protect staff from assaults and abuse at work. This could be achieved, if necessary, by a new function under Clause 3 (1). In addition, Clause 19 Safety duty of Ministers and ORR) subsection (2) could be expanded to clarify that the safety duties must include promoting safety for both passengers and staff including: (a) a duty to reduce assaults on staff and (b) establishing mandated safe staffing levels on trains and in stations.

Open Access service workers:

Open Access service workers do a great job for the railways. The union remains committed to protecting the jobs of our members currently employed at the Open Access operators. We have made clear to Government that these jobs should be incorporated into GBR as track access contracts expire or if any operators exit the market prior to this. There is precedent for similar provision with the 2017 Bus Act which extended TUPE and pensions protections to staff employed by standalone commercial operators when public service contracts were awarded under franchise to alternative operators.

We would like confirmation from government, or an amendment, if necessary, to make clear that full coverage of TUPE will be extended to staff employed by open access operators to transfer into GBR in the event of an open access operator exiting the market,

regardless of whether these services are taken on by GBR. If necessary, this could be achieved through a new Clause under Part 3, Chapter 1 (Access to infrastructure and services).

Ticketing and settlement agreement

The rules governing ticket office hours and opening are contained within Schedule 17 of the Ticketing and Settlement Agreement and are currently the only form of regulated station staffing. It was clear from the unprecedented response to the ticket office closure plans in 2023 that passengers value this process and want to have their say when changes to ticket offices are proposed. **We are seeking clarification or amendment to confirm that the process whereby ticket office opening hours are regulated and subject to a public consultation, overseen by the Passenger Council, will be retained under GBR. This could be done through an amendment to Clause 49 (2) to specify that any proposed reduction in ticket office opening hours or closure of ticket office hours is one of the matters that the Passenger Council (a) must be consulted on by GBR and (b) must be subject to a public consultation.**

Ticket offices to sell all fares and products

The Government's welcome plans for an integrated ticketing system should also break with the practice employed by many train operators of making certain products, including discounts, online-only, disadvantaging many who cannot or chose not to use digital retail. **We are seeking clarification or amendment which requires that GBR products and fares will be sold at ticket offices, as well as via the GBR app or website. Function (1) (d) could be amended to reflect this, for instance: "selling tickets for travel on railway passenger services or securing that tickets are available for sale and ensuring that all GBR fares and products are available to purchase from all available channels, including ticket offices."**

Access to the Great British Railways network

Given the importance of preventing continued profiteering and fragmentation on rail, RMT views the issue of Open Access, and network access in general, as critically important. RMT's view is that the long-term retention of Open Access injects unnecessary complexity and fragmentation into the operation of the railway. It also retains profiteering on passenger services in a more refined form, where the private train operators are allowed to cherry pick profitable services. Our view is that no further Open Access contracts or extensions should be granted and that existing services and jobs should be absorbed into GBR at the earliest opportunity. Given this, RMT is encouraged that some of the worst aspects of Open Access have been addressed.

RMT welcomes the removal of access regulation from the Office of Rail and Road. While the ORR clearly plays an important safety role on the railway, RMT believes that its economic function as a market regulator is no longer relevant. We also welcome the fact that GBR will be empowered to charge, as a minimum, the cost that is directly incurred as a result of the operation of the train as open access have long benefited from a significant indirect subsidy through not fully contributing to the costs of running the railway. This is an improvement,

though we believe that the costs that are incurred as a consequence of the reinjection of fragmentation into the system go beyond direct costs and should be factored in.

We welcome the different treatment of freight and the duty to have regard to the Secretary of State's rail freight target, but we believe that the maintenance of private sector freight operations represents a wasteful retention of misaligned incentives inside the rail system. The reality is that freight operators are sustained by government subsidies and prioritise their own commercial objectives and needs over those of the rail system as a whole. A single rail freight business unit, operating inside Great British Railways would be a far more efficient lever for driving up the use of rail freight in a way that was integrated with the passenger railway.

Devolution

RMT supports the Scottish TUC and Wales TUC's policies which are to campaign for the creation of a single, unified, nationally integrated GB rail network, with significantly enhanced powers for the Scottish Parliament and Scottish Government over rail services in Scotland and significantly enhanced powers for the Welsh Government and Senedd over Welsh rail services, arrived at through agreement with the devolved governments. Accordingly, we welcome the positions reached with the Scottish and Welsh national governments and the retention of different options for further integration through agreement. We also welcome the statutory role of devolved Mayors as recognising an important reality about Britain's transport networks.

However, we are also pleased to see the Bill stress the importance of GBR retaining a strategic overview and the capacity to act in pursuit of whole-system interests. RMT believes that it will be important to the future of GBR to create a structure that is capable of delivering on system-wide objectives. The achievement of freight targets is an obvious example, but there are others. For example, a GBR-wide rolling stock strategy offers the opportunity to achieve significant economies of scale in procurement and efficiencies in use. Trains can be bought in consultation with devolved authorities but with regard to the needs of the whole system over the long-term and deployed around the network more flexibly than is achievable in a fragmented system.

Funding of Great British Railways

It is disappointing to see that in the immediate term at least, Great British Railways will not control all its revenue. *Getting Britain Moving* had been explicit in its ambition to allow GBR to take long-term decisions about the railway based on a whole-industry view of costs and revenues:

“track and train will be brought together so that decisions can be made on a whole-industry basis, with a single view across railway costs and revenue, rather than being driven by what is best for individual organisations.”

“It will bring finances together into a single body, enabling it to take long-term decisions to increase patronage and deliver improvements for passengers and

freight without the micromanagement of the current system or of British Rail.”⁸

By contrast, the Bill provides the Secretary of State considerable powers to vary the amount of funding available to GBR. In addition, the factsheets explain that

“Given the greater uncertainty of passenger services spend and income, due to changes in passenger demand which are difficult to predict, Passenger services will not be included within this commitment at this point. Passenger services and other activities outside of infrastructure operations, maintenance and renewal will be funded using existing powers, which will be updated to account for GBR.”⁹

RMT is not convinced that passenger demand is in fact so unpredictable as to justify this measure. The latest ORR data show that passenger usage continues to recover to pre-pandemic levels while fare revenues recovered by 8.1% in the year. We consider that the net impact of this will be to create greater uncertainty in Great British Railways’ funding and recreate the short-termism that bedevilled the privatised railway.

We welcome that GBR will replace the myriad individual operator retailing offers with a centralised GBR offer, and this will provide a much more coherent way for passengers to purchase tickets, either at ticket offices, on-trains or online. We support the ambition in *Getting Britain Moving* to introduce a best-price guarantee for rail fares.

We believe that the continuation of third-party retailers such as Trainline is at odds with the Government’s plans for an integrated and simplified ticketing system, not least because these privately owned operators generally take a commission from all sales, thus diverting valuable revenue away from Treasury. Trainline also routinely mis-sell tickets causing unnecessary complexities for passengers and staff.

Tackling profiteering in Great British Railways

More resources can be directed to the frontline of rail services and greater funding efficiency achieved if the government continues the work it has started to cut out profiteering on rail. RMT believes that the removal of the profiteering private train operating companies from the railway was an essential first step to delivering improved value for money for passengers. We also welcome the government’s recent announcement of a fare freeze for the first time in 30 years. We believe that this shows how the government plans for public ownership of the railways can deliver real tangible benefits for passengers.

The government has noted that bringing the private train operating companies into public ownership would directly save the railways around £150 million a year in management fees paid to private TOCs. Research published by the RMT on the anniversary of the Passenger Rail Services (Public ownership) Act showed that total dividends paid by private sector TOCs

⁸ <https://labour.org.uk/wp-content/uploads/2024/04/GETTING-BRITAIN-MOVING-Labours-Plan-to-Fix-Britains-Railways.pdf>;

⁹ <https://www.gov.uk/government/publications/railways-bill/railways-bill-how-the-government-plans-to-fund-gbr>

since 2016 amount to £1.8 billion (Table 1). Private sector TOCs paid out dividends worth on average £182 million each year since 2016. Particularly egregious for hard-pressed passengers and rail workers will be the dividend payments made in the last financial year by failing franchises Cross Country (£13 million) and Avanti (£10 million). This is money that could have been spent on front line services for passengers. The end of this profiteering cannot come too soon for passengers.¹⁰

However, it is also important that the government gains control of other areas of profiteering on rail. The most egregious example is the leasing of trains from the private sector. It is worth remembering that under British Rail, the publicly owned railway commissioned, built and owned its own rolling stock, designing trains that were still being used by the private sector until very recently. On privatisation, these public assets were then given to three invented rolling stock companies who have leased them back to the railway for the last 30 years.

Procuring and operating rolling stock through this model is cut through with irrationality, misaligned incentives, waste and inefficiency. ROSCOs with no incentive to order new trains create long troughs in demand by extending the lives of their existing assets. The ROSCO-dominated leasing system inflates the industry cost of existing rolling stock, reduces funding available for new trains and acts as a drag on investment. Government-led procurement of new trains has come in unplanned binges to compensate for the failures of the ROSCOs. With the purchase of new trains in recent years, the cost of rolling stock has been rising. As the ORR noted in their financial analysis of 2018-19, the growth in rolling stock charges does not reflect the upfront costs of buying trains but is instead 'largely due to the increases in the on-going costs of rolling stock after the recent replacement of various trains'. These ongoing costs are 'the increased cost of leasing and maintaining trains'. As the latest ORR data show, rolling stock costs associated with leasing from the private sector have risen 24% in the last year alone and now costs almost as much as staffing.¹¹

The ROSCOs typically pay out in excess of £200 million a year in dividends and ORR data show that they paid out £275 million last year.¹² But they also charge their leasing companies interest on international inter-group loans. RMT has conservatively estimated the value of these interest payments at around £250 million a year. Over the term of this government that would mean the ROSCOs extracting more than £2.2 billion from Great British Railways.

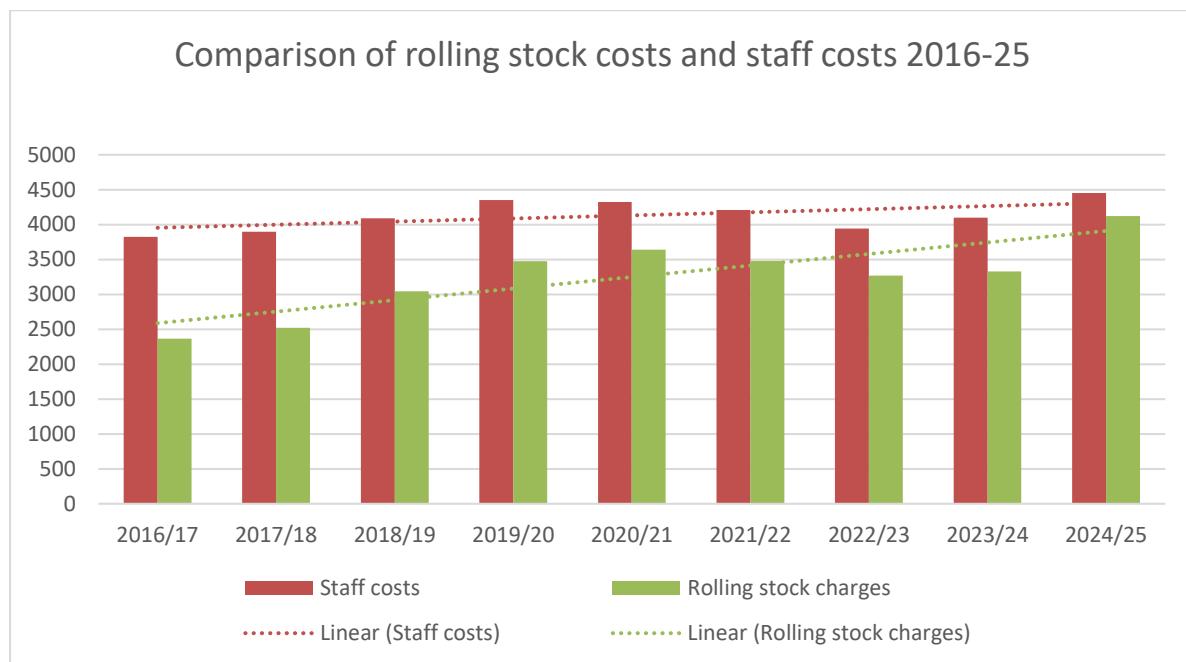
10 The extent of Train Operating Company dividend extraction is greater than the ORR data reveal. This is because the ORR use self-reported management accounts to gather dividends rather than the statutory accounts filed by TOCs. The ORR do this to ensure that they have reportable data by November each year, but they do not subsequently correct any under-reporting. This results in some serious errors of omission that can mislead about TOC dividend extraction. In 2023-24, ORR data under-reported private sector dividends by no less than £107 million.

<https://dataportal.orr.gov.uk/statistics/finance/rail-industry-finance/table-7226-franchised-passenger-train-operator-finances-since-2015-16-by-franchise/>; <https://www.rmt.org.uk/news/public-document-library/train-operating-company-dividends-2016-25/?preview=true>

11 <https://dataportal.orr.gov.uk/statistics/finance/rail-industry-finance/table-7216-gb-rail-industry-finances-since-2015-16-by-country-and-nr-region/>

12 ORR: <https://dataportal.orr.gov.uk/statistics/finance/rail-industry-finance/table-7275-rolling-stock-leasing-company-finances/>

RMT believes that GBR should create its own rolling stock procurement arm using orthodox borrowing to procure future rolling stock, creating economies of scale by procuring on the basis of system-wide needs and taking advantage of lower government borrowing costs. However, additional funding could be raised in the immediate term, through action to recoup some of the costs of the ROSCOs' historic profiteering. RMT has argued for a profits levy on the rolling stock companies. This is similar to a windfall tax but differs in that the ROSCOs have not really enjoyed a windfall so much as consistently high rents on the basis of a permanent entrenched monopoly that has guaranteed them high profits. RMT estimates that a 25% levy on pre-tax profits measured against a 7-year average would raise £58.5 million each year. A 50% levy would raise £116 million each year. The gains from this should be used to help support a series of workforce upgrades including restaffing, insourcing and upskilling to increase the quality of passenger service, as detailed above.

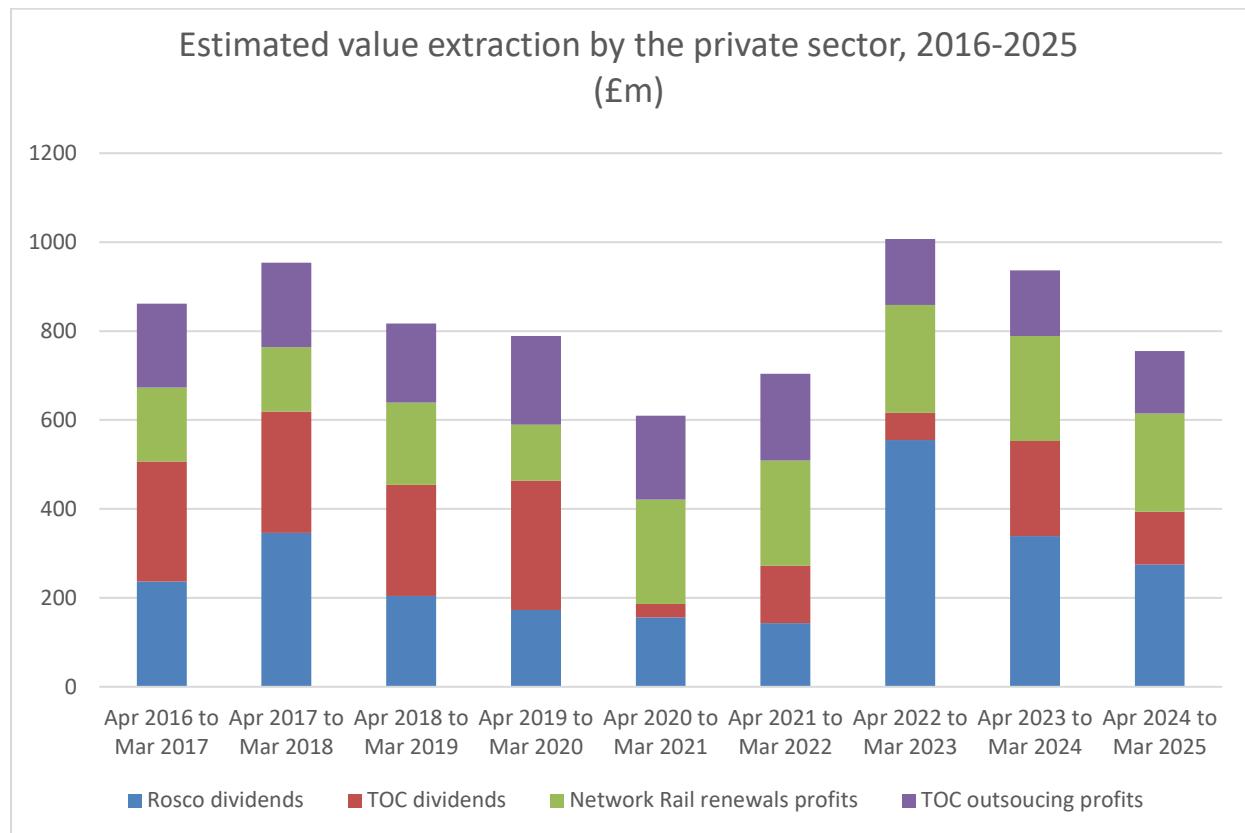


The government could expand Clause 13 'Charging and terms and conditions' to make explicit that GBR has the power to levy additional charges on rolling stock companies to recoup some of the rising costs of leasing and to return some of the funds extracted by historic profiteering.

Finally, RMT would point also to the waste associated with outsourcing and sub-contracting. In addition to the directly employed workforce of the Train Operating Companies and Network Rail, there is a wider workforce who are outsourced and sub-contracted to private companies in so called 'ancillary' functions and infrastructure maintenance and renewal. Before privatisation, this was part of the core rail workforce. Now it is employed through a dense mesh of private contracts. Great British Railways is inheriting and becoming responsible for managing and re-letting these contracts. RMT estimates that in excess of £400 million a year is extracted from the railway in the form of profits to these companies

each year.¹³

RMT has estimated that in total, taking these avenues of value extraction together between £800 million and £1 billion are sucked out of the railway in private sector profits every year. Given the points about underestimating ROSCO extraction, this is likely to be an underestimate. That is all money that could have been spent on front line services for passengers.¹⁴



13 For outsourcing profits, see <https://www.rmt.org.uk/news/public-document-library/rmt-report-profits-of-outsourcing-firms-from-rail-contracts/>

14 ROSCO dividend figures are from ORR data, as are TOC dividends. The latter in particular are amended to correct omissions made – and recognised- by the ORR. Network Rail renewals profits and TOC outsourcing profits are estimated using ORR and Network Rail data on procurement and standard industry margins. For the methodology, see <https://www.rmt.org.uk/news/public-document-library/rmt-report-profits-of-outsourcing-firms-from-rail-contracts/>

Time period	Rosco dividends	TOC dividends	Network Rail renewals profits	TOC outsourcing profits	Total value extraction
Apr 2016 to Mar 2017	236.4	270.3	166.4	188.7	861.8
Apr 2017 to Mar 2018	346.3	272.7	144.8	189.8	953.6
Apr 2018 to Mar 2019	204.6	249.7	184.9	177.5	816.7
Apr 2019 to Mar 2020	172.7	291	125.9	199.6	789.2
Apr 2020 to Mar 2021	156	30.1	234.6	189.0	609.7
Apr 2021 to Mar 2022	142.9	128.9	236.9	195.1	703.8
Apr 2022 to Mar 2023	554.8	61	242.8	148.3	1006.9
Apr 2023 to Mar 2024	338.8	214	235.8	147.9	936.5
Apr 2024 to Mar 2025	274.7	119.2	221.0	140.5	755.4
Average	269.7	181.9	199.2	175.1	825.9

January 2026.