



Policy Briefing

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Rail privatisation – 30 years of waste and rising fares

As Britain 'celebrates' 30 years of rail privatisation, RMT reveals that the three-decade debacle has seen at least £31 billion leak out of the system, mostly into shareholders pockets, while passengers are paying 8% more in real terms to travel on a deteriorating system.

- Renationalising the railway and creating a single, integrated publicly owned railway company would save around £1.5 billion every year which could be used to cut fares by 18%, helping to encourage more people back onto Britain's railways.
- At least £1.5 billion and very likely more leaks out of Britain's railways every year in the form of profits extracted by train operating companies, rolling stock leasing companies, subcontractors and other costs that arise the fragmentation of the railways.¹ Throughout privatisation, the annual outflow of funds would have enabled, on average, a cut of 14% in fares (Table 1.)
- If the railways were nationalised now and the flow of funds into the private sector was cut off, the money saved would fund a cut of 18% in fares.
- The cost of travelling by rail is now almost 8% higher in real terms than it was in

¹ Leakage and waste figures are based on estimates of dividend payments and friction costs at the interfaces of the fragmented system. These were estimated at £1.2 billion in 2012 by *Transport for Quality of Life*. This has been projected backwards to 1995 and forwards to 2022 using historic CPI data. Interestingly, the figure of £1.5 billion for 2022 aligns closely with the figure produced by the DfT as part of the Williams Review. *Rebuilding Rail*, Transport for Quality of Life (2012), https://www.transportforqualityoflife.com/u/files/120630_Rebuilding_Rail_Final_Report_print_version.pdf, p. 18. The Williams-Shapps report estimated that the costs of duplication and interface friction in the fragmented system might be worth £1.5 billion a year: [Great British Railways \(publishing.service.gov.uk\)](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/444444/Great_British_Railways.pdf), p. 36. The two estimates are based on looking at different cost headings. Much of the leakage in *Rebuilding Rail* is covered by dividend payments to TOCs, ROSCOs and subcontractors, which RMT analysis suggests comes to at least £500 million each year. None of this was covered in the Williams-Shapps plan which never envisaged tackling this flow of profits. Instead, annual savings of £1.5 billion were identified by an unpublished DfT analysis which *only* looked at costs associated with fragmentation and duplication. All of this can be seen to be associated with privatisation, so the figure of £1.5 billion each year is likely to be an under-estimate of the real level of waste in the system.

1995, before privatisation. This figure has dropped in the last two years only as inflation has risen above 13%. Until the cost-of-living crisis, when fare increases were decoupled from RPI inflation, fares were consistently 15-20% higher in real terms than before privatisation (Table 2).

Table 1: Waste from privatisation and fare revenue

Time period	Total passenger revenue (£ million)	Leakage and waste from privatisation	Fare reduction possible
Apr 1994 to Mar 1995	4,109	817	20%
Apr 1995 to Mar 1996	4,384	839	19%
Apr 1996 to Mar 1997	4,637	859	19%
Apr 1997 to Mar 1998	4,998	875	18%
Apr 1998 to Mar 1999	5,439	888	16%
Apr 1999 to Mar 2000	5,899	900	15%
Apr 2000 to Mar 2001	5,947	907	15%
Apr 2001 to Mar 2002	6,085	918	15%
Apr 2002 to Mar 2003	6,212	930	15%
Apr 2003 to Mar 2004	6,529	943	14%
Apr 2004 to Mar 2005	6,853	955	14%
Apr 2005 to Mar 2006	7,253	975	13%
Apr 2006 to Mar 2007	7,883	998	13%
Apr 2007 to Mar 2008	8,539	1,021	12%
Apr 2008 to Mar 2009	8,916	1,058	12%
Apr 2009 to Mar 2010	9,010	1,080	12%
Apr 2010 to Mar 2011	9,344	1,161	12%
Apr 2011 to Mar 2012	9,768	1,166	12%
Apr 2012 to Mar 2013	10,145	1,198	12%
Apr 2013 to Mar 2014	10,557	1,230	12%
Apr 2014 to Mar 2015	11,211	1,248	11%
Apr 2015 to Mar 2016	11,706	1,248	11%
Apr 2016 to Mar 2017	11,866	1,256	11%
Apr 2017 to Mar 2018	11,801	1,290	11%
Apr 2018 to Mar 2019	12,228	1,322	11%
Apr 2019 to Mar 2020	11,967	1,346	11%
Apr 2020 to Mar 2021	2,181	1,357	62%
Apr 2021 to Mar 2022	6,527	1,392	21%
Apr 2022 to Mar 2023	8,643	1,519	18%
TOTAL	230,637	30,879	14%

Source: ORR - <https://dataportal.orr.gov.uk/statistics/usage/passenger-rail-usage/table-1211-passenger-revenue-by-sector/>. Passenger revenue data is taken from the ORR data, which is adjusted to represent real-terms revenue against CPI.

But passengers have seen little of this money reinvested in the railway. Instead, it's flowed out of rail into the pockets of the shareholders of the host of companies that feed off what should be a vital public service. For passengers, the fragmented system has meant rising costs, timetable chaos, 55 million different fares, cancellations, service reductions, attempts to cut staff from trains and stations and, most recently the wildly unpopular attempt to close all Britain's ticket offices.

Figure 1: Rail fare index in cash and real terms, 1995-2023

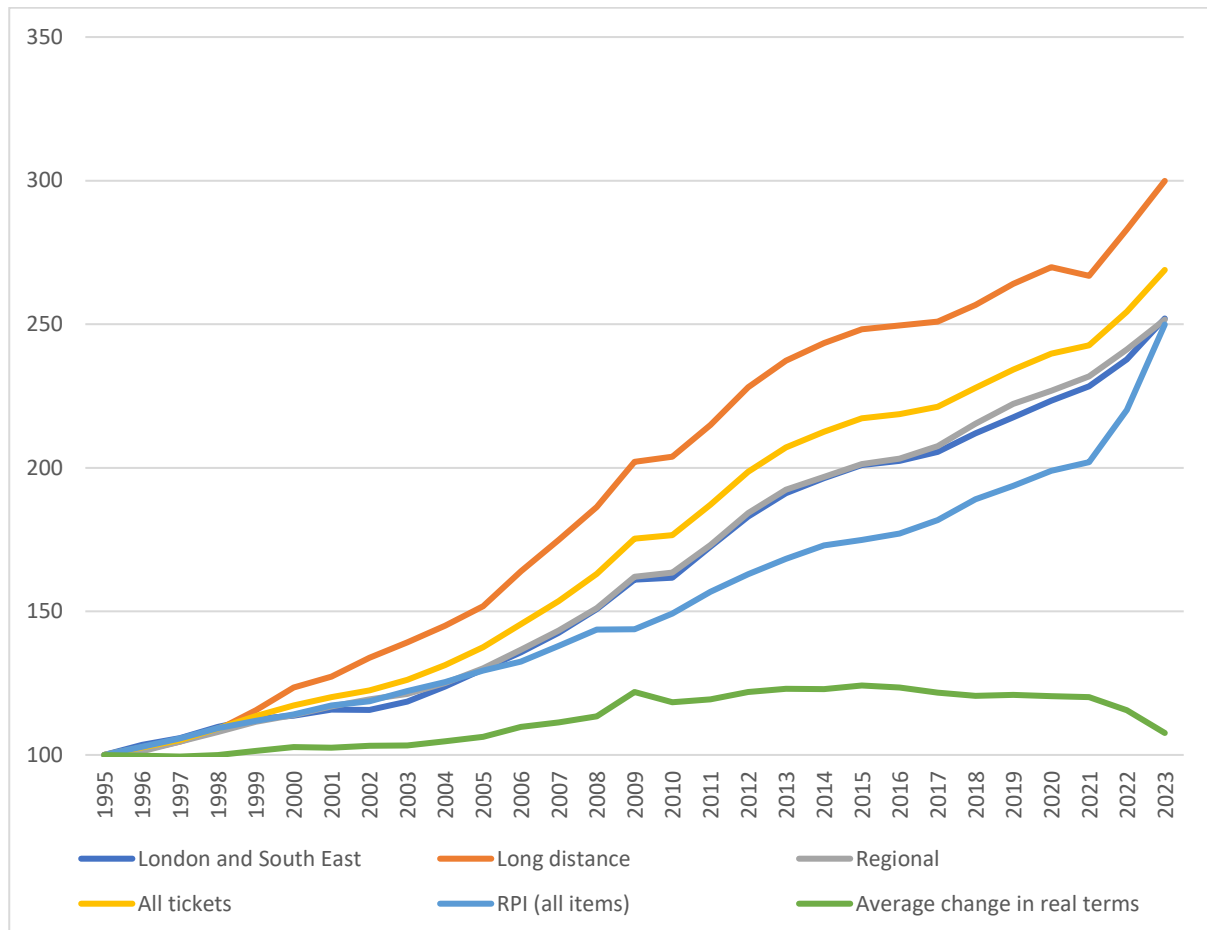


Table 2: Index of fare rises in nominal and real terms

Year	All tickets	RPI (all items)	Average change in real terms
1995	100	100	100
1996	102.6	102.9	99.71
1997	105.2	105.8	99.43
1998	109.2	109.3	99.91
1999	113.5	111.9	101.43
2000	117.2	114.1	102.72
2001	120.1	117.2	102.47
2002	122.5	118.7	103.20
2003	126.2	122.2	103.27
2004	131.3	125.4	104.70
2005	137.5	129.4	106.26
2006	145.5	132.5	109.81
2007	153.6	138	111.30
2008	163	143.7	113.43
2009	175.3	143.8	121.91
2010	176.5	149.2	118.30
2011	187.1	156.8	119.32
2012	198.6	162.9	121.92
2013	207.1	168.3	123.05
2014	212.6	173	122.89
2015	217.2	174.9	124.19
2016	218.7	177.1	123.49
2017	221.3	181.8	121.73
2018	227.8	189	120.53
2019	234.2	193.7	120.91
2020	239.8	199	120.50
2021	242.7	202	120.15
2022	254.4	220.1	115.58
2023	268.9	249.9	107.60

Source: ORR: <https://dataportal.orr.gov.uk/statistics/finance/rail-fares/table-7180-average-change-in-fares-by-regulated-and-unregulated-tickets/>

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